

# Transcript of the Testimony of **Industry Advisory Panel Meeting**

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UNITED STATES OF AMERICA

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DEPARTMENT OF STATE

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INDUSTRY ADVISORY PANEL MEETING

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THURSDAY, SEPTEMBER 12, 2002

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10:30 A.M.

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U.S. DEPARTMENT OF STATE

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2201 C STREET, N.W., ROOM 1408

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WASHINGTON, D.C.

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18 Reported and transcribed by: Deborah Turner, CVR

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<p style="text-align: right;">Page 2</p> <p>1 Industry Advisory Panel Members</p> <p>2</p> <p>3 Harold L. Adams, RTKL Associates, representing the</p> <p>4 American Institute of Architects</p> <p>5</p> <p>6 Jeffrey L. Beard, Design-Build Institute of America,</p> <p>7 representing same</p> <p>8</p> <p>9 Harvey M. Bernstein, Civil Engineering Research</p> <p>10 Foundation/International Institute for Energy</p> <p>11 Conservation, representing same</p> <p>12</p> <p>13 Ida B. Brooker, The Boeing Company, representing</p> <p>14 Women Construction Owners and Executives, USA</p> <p>15</p> <p>16 Harvey L. Kornbluh, Construction Consultants</p> <p>17 International Corporation, representing Associated</p> <p>18 Owners and Developers</p> <p>19</p> <p>20 David H. Ready, OR Partners, Inc., representing the</p> <p>21 National Association of Minority Contractors</p> <p>22</p>	<p style="text-align: right;">Page 4</p> <p>1 Overseas Buildings Operations</p> <p>2</p> <p>3 Charles E. Williams, Director/Chief Operating Officer</p> <p>4 Suzanne Conrad, Chief of Staff</p> <p>5 Charles Floyd, Director, Project Development Division</p> <p>6 Jurg Hochuli, Managing Director, Resource Management</p> <p>7 James Robertson, Managing Director, Operations and</p> <p>8 Maintenance</p> <p>9 Joseph Toussaint, Managing Director, Project</p> <p>10 Execution</p> <p>11 Deborah Glass, Director, Security Management Division</p> <p>12 J. Keith Wilkie, director of real estate acquisitions</p> <p>13 and disposals</p> <p>14 Greg Krisanda, Facilities Management</p> <p>15 Elaine Anderson, Special Assistant, Internal Review</p> <p>16 Samuel Bleicher, Special Assistant, Congressional</p> <p>17 and Business Affairs</p> <p>18 Jackie Hayes-Byrd, Director, Management Support</p> <p>19 Division</p> <p>20 P.K. Bagchi, Director, Construction and Commissioning</p> <p>21 Gay Mount, Director, Project Planning</p> <p>22</p>
<p style="text-align: right;">Page 3</p> <p>1 Industry Advisory Panel Members (cont.)</p> <p>2</p> <p>3 Thomas J. Rittenhouse, III, Weidlinger Associates,</p> <p>4 Inc., representing the American Society of Civil</p> <p>5 Engineers</p> <p>6</p> <p>7 Derish M. Wolff, The Louis Berger Group, representing</p> <p>8 the American Council of Engineering Companies and the</p> <p>9 Building Futures Council</p> <p>10</p> <p>11 Joel Zingeser, Grunley Construction Company, Inc.,</p> <p>12 representing The Associated General Contractors of</p> <p>13 America</p> <p>14</p> <p>15</p> <p>16</p> <p>17</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p>	<p style="text-align: right;">Page 5</p> <p>1 Overseas Building Operations</p> <p>2</p> <p>3 Mary Matzen, Office of Interior Dimensions</p> <p>4 Bill Miner, Director, Design and Engineering Division</p> <p>5 Gina Pinzino, Special Assistant for General Williams</p> <p>6 Theous Rhem, Administrative Support</p> <p>7 John Tato, Director, Project Evaluation and Analysis</p> <p>8 Steve Urman, Director, Safety, Health and</p> <p>9 Environmental Management Division</p> <p>10</p> <p>11</p> <p>12 Other Attendees</p> <p>13 Rich Aster, Office of Inspector General</p> <p>14 Tina Benedetti, Parsons Brinkerhoff</p> <p>15 Vivian Loftness, Carnegie Mellon</p> <p>16 Rod Blunk, Ingersoll Rand</p> <p>17 Rick Langille, International Code Council</p> <p>18 Colin Coyle, HLM Designs</p> <p>19 Ian Butterfield, Butterfield Card and Associates</p> <p>20</p> <p>21</p> <p>22</p>

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## PROCEEDINGS

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1 GENERAL WILLIAMS: Good morning. I'm  
2 delighted to see all of the members once again.  
3 We're missing Jeff and Joel. I understand they are  
4 on the way. And traffic is a bit of a chore out  
5 there today. I've been in it since about 7:00 this  
6 morning, combining home and I just left about an hour  
7 meeting on the Hill talking about one of our very  
8 sensitive projects. But we'll begin to proceed now  
9 with our third industry advisory panel.

10 First of all, I would like to welcome each  
11 of you once again. This is getting to be old hat. I  
12 just noticed, and the staff kind of surprised me this  
13 morning, I see we have -- when you really know that  
14 you're part of the roundtable is when you get your  
15 name tag. So you know that you're in. So you can't  
16 run away now because you'll have to explain to the  
17 government as to why you're not participating. So,  
18 once again, welcome.

19 I think for the benefit -- I see we have  
20 some visitors here today. And obviously we around

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1 MR. COYLE: Hi. I'm Colin Coyle. I'm a  
2 Vice President with HLM Design. We're an  
3 international architectural engineering planning  
4 firm.

5 GENERAL WILLIAMS: Welcome.

6 MR. COYLE: Thank you.

7 GENERAL WILLIAMS: Any --

8 MR. BUTTERFIELD: Ian Butterfield,  
9 President, Butterfield, Card and Associates,  
10 representing several major companies.

11 GENERAL WILLIAMS: Good. Welcome. This  
12 industry advisory panel deliberation is open to the  
13 public as much as, you know, space will allow so we  
14 always encourage you to come by and listen and see  
15 what we're about.

16 I do want to say for the benefit of the  
17 visitors that I couldn't be more pleased with the  
18 support and the input that this panel has provided.  
19 This is our third session. I'm happy to report that  
20 on a very sensitive initiative around cost-sharing it  
21 was put on the table as rent surcharge and this panel  
22 helped us with some optics around that and we renamed

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1 the table wouldn't necessarily need any introduction  
2 but I'm going to ask our guests if they would  
3 introduce themselves and then we'll just take a quick  
4 moment and for their purpose tell them who we are.  
5 So where are the guests? Yes.

6 MR. BLUNK: Hi. I'm Rod Blunk. I work for  
7 Ingersoll Rand. I'm the Manager of New Business and  
8 Government Sales. My boss would have been here as  
9 well, which is Gordon Stables, and you already know  
10 him. Unfortunately, he had to be up in Philadelphia  
11 today.

12 GENERAL WILLIAMS: Welcome. Anyone else  
13 here for the first time? Yes, ma'am.

14 MS. LOFTNESS: Vivian Loftness from  
15 Carnegie Mellon University, Center for (inaudible).

16 GENERAL WILLIAMS: I'm delighted to have  
17 you here from Carnegie. Yes, sir.

18 MR. LANGILLE: Rick Langille with the  
19 International Code Counsel taking care of most of the  
20 federal relations over here in D.C.

21 GENERAL WILLIAMS: Thank you. Welcome  
22 Yes.

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1 this cost-sharing.

2 We now have moved that initiative, and it's  
3 a big one, because this will be requiring all  
4 participating tenants who occupy our embassies and  
5 consulates around the world to pay a fair share going  
6 forward of the capital cost.

7 That particular initiative now has left the  
8 building. It has been vetted with the OMB and to  
9 date I can just safely tell you that it is intact.

10 I just left a discussion on the Hill about  
11 another subject. We did take the opportunity to talk  
12 about our cost-sharing initiative and they can't wait  
13 to get it to help us with it.

14 So I know you spent a lot of time working  
15 with us on this. We appreciate it. I just wanted  
16 you to have this feedback to know that you may be a  
17 part of a little bit of history because this will be  
18 a major, major turnaround in the way the government  
19 will do its business, particularly in the State  
20 Department, relative to our facilities if it makes it  
21 through. And so far it's on the table in reasonably  
22 good shape.

3 (Pages 6 to 9)

<p style="text-align: right;">Page 10</p> <p>1 The only issue we are toying with now is  2 whether or not we want to go out for the big bite. I  3 know we were asking for \$600 million. That's what we  4 had sort of indicated that the first year on the  5 annual rent would be. And the only issue on the  6 table now is whether or not, to begin with, whether  7 that should be a smaller bite.  8 I am less concerned about the size of the  9 bite today as I am in whether or not the concept can  10 get put in place because we can always noodle a bite  11 as we move forward. So I just wanted you to know  12 that that's a good effort.  13 Now, for the benefit of our visitors I  14 would like to start around the circle and just say  15 who you are and what you do. And then we'll get into  16 the session. Joe.  17 MR. TOUSSAINT: Good morning. I'm Joe  18 Toussaint. I'm the Managing Director of the Project  19 Execution office in Overseas Buildings Operation.  20 MR. ROBERTSON: Good morning. I'm Jim  21 Robertson. I'm the Managing Director for Operations  22 and Maintenance, OBO.</p>	<p style="text-align: right;">Page 12</p> <p>1 here representing the Building Futures Council of the  2 American Society of Civil Engineers.  3 MR. READY: I'm David Ready. I'm President  4 of OR Partners and a partner in (inaudible)  5 Development, a minority development firm here  6 representing the National Association of Minority  7 Contractors.  8 MR. WILKIE: I'm Keith Wilkie, Director of  9 Real Estate Acquisitions and Disposals at OBO,  10 sitting in for Terry Wilmer.  11 MR. FLOYD: Good morning. I'm Chuck Floyd,  12 Managing Director of the Planning and Development at  13 OBO.  14 MS. CONRAD: I'm Suzanne Conrad. I'm Chief  15 of Staff for General Williams.  16 GENERAL WILLIAMS: Okay. Just one little  17 mechanical piece here since I spent a little time in  18 this room. When you need to speak, just punch your  19 button. When you need to listen, push your button  20 again. The red light will go off. And I think we  21 can be in communication. This kind of triggers the  22 folk who are activating this for us to know what we</p>
<p style="text-align: right;">Page 11</p> <p>1 MR. HOCHULI: Good morning. I'm Jurg  2 Hochuli, Managing Director for Resource Management in  3 OBO.  4 MR. ADAMS: I'm Harold Adams. I'm the  5 Chairman of RTKL Associates, an international  6 architecture firm. And I'm up here representing the  7 American Institute of Architects.  8 MR. BERNSTEIN: I'm Harvey Bernstein,  9 President of the Civil Engineering Research  10 Foundation and I focus on moving technologies.  11 MS. BROOKER: Ida Brooker. I'm the Manager  12 of Construction and Environmental Contracts for the  13 Boeing Company. I'm representing women construction  14 owners and executives.  15 MR. KORNBLUH: Harvey Kornbluh, Chairman of  16 Associated Owners and Developers.  17 MR. RITTENHOUSE: Tod Rittenhouse, Managing  18 Partner in Weidlinger Associates, a structural and  19 blast engineering firm. I'm here representing the  20 American Society of Civil Engineers.  21 MR. WOLFF: Derish Wolff, Chairman of  22 Bridge Group Holdings, Louis Berger Group. And I'm</p>	<p style="text-align: right;">Page 13</p> <p>1 need.  2 Okay. With that intro -- well, I see we  3 have some people along the wall here. I don't want  4 to miss them. Bill Miner, since this team last met  5 Bill, he has -- something has happened to him. So I  6 will let him tell you what has happened.  7 MR. MINER: I'll tell you, my wife does not  8 know about this. I've been selected as the new  9 Director of the Design and Engineering division  10 within OBO under Joe Toussaint, Managing Director of  11 Project Execution.  12 I'll be very anxious to talk to some of the  13 newcomers especially those that are part of the  14 architectural and engineering community and tell you  15 more about our program as we go forward.  16 GENERAL WILLIAMS: Thanks, Bill. Gay  17 Mount.  18 MR. MOUNT: I'm Gay Mount. I'm the  19 Director of Project Planning in the Project  20 Development office.  21 GENERAL WILLIAMS: P.K.  22 MR. BAGCHI: I'm P.K. Bagchi, Director of</p>

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1 Construction and commissioning in the office of  
 2 Project Execution.  
 3 GENERAL WILLIAMS: Mattie.  
 4 MS. MATZEN: I'm Mary Matzen. I'm  
 5 representing Vivian Wooster (phonetic) from the  
 6 office of Interior Dimensions.  
 7 GENERAL WILLIAMS: Okay. John.  
 8 MR. TATO: John Tato. I'm the Director of  
 9 the Project Evaluation and Analysis division.  
 10 GENERAL WILLIAMS: Do you want to introduce  
 11 yourself, my friend?  
 12 MR. ASTER: I'm Rich Aster with the Office  
 13 of Inspector General, Walthis and Walkins (phonetic).  
 14 GENERAL WILLIAMS: See, I called him my  
 15 friend.  
 16 MS. PINZINO: Gina Pinzino, Special  
 17 Assistant for General Williams.  
 18 GENERAL WILLIAMS: You all be nice to Gina,  
 19 now. She has a big job. Keeping this vast body in  
 20 check is a big one. Elaine.  
 21 MS. ANDERSON: I'm Elaine Anderson, Special  
 22 Assistant for Internal Review.

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1 MR. BLEICHER: Sam Bleicher, Special  
 2 Assistant for Congressional and Business Affairs.  
 3 Let me take this opportunity to say if you folks have  
 4 contacts with people on the Hill that tell you things  
 5 about our program or ask you things about our program  
 6 we would be happy to know about it. It just helps us  
 7 understand what's going on better. So do give us a  
 8 call. Thank you.  
 9 GENERAL WILLIAMS: Jacquie.  
 10 MS. HAYES-BYRD: Good morning, everyone.  
 11 I'm Jacquie Hayes-Byrd, Management Support division.  
 12 GENERAL WILLIAMS: Ms. Benedetti, you have  
 13 to talk if you want them to hear you.  
 14 MS. BENEDETTI: I'm Tina Benedetti. I'm  
 15 director of Federal Marketing for Parsons Brinkerhof.  
 16 GENERAL WILLIAMS: Oh, okay. Phyllis.  
 17 MS. PATTEN: I'm Phyllis Patten. I'm  
 18 General Williams' personal assistant.  
 19 GENERAL WILLIAMS: Fifteen years on the  
 20 clock with this guy.  
 21 MR. KRISANDA: I'm Greg Krisanda, Acting  
 22 Director of Facility Management division.

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1 GENERAL WILLIAMS: Steve.  
 2 MR. URMAN: I'm Steve Urman. I'm the  
 3 Director of the Safety, Health and Environmental  
 4 Management division.  
 5 GENERAL WILLIAMS: Debbie.  
 6 MS. GLASS: I'm Deborah Glass. I'm the  
 7 Director of Security Management.  
 8 GENERAL WILLIAMS: Okay. I think we've got  
 9 everybody, and that's Theous here taking pictures.  
 10 And he'll be snapping us as we move throughout.  
 11 He'll probably end up being the most important guy by  
 12 the end of the day.  
 13 And, of course, our session will be  
 14 recorded in a court reporter fashion, and the nice  
 15 lady here with the gadget over her mouth is doing  
 16 that for us. Okay. With that I think we can begin,  
 17 yeah, with what we have --  
 18 (Whereupon, Mr. Zingesser and Mr. Beard  
 19 entered to room.)  
 20 GENERAL WILLIAMS: And normally the way  
 21 this works, and I didn't get this factored into the  
 22 rooms when we first put this in place and it may be a

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1 good time, just to institute acknowledgement when a  
 2 member shows up late at a family meeting they either  
 3 bring the doughnuts or lunch or a small fine.  
 4 We had our two stalwarts here come in just  
 5 a little bit late but I'm going to cut them some  
 6 slack today because it's probably traffic and just  
 7 assume that they had a very legitimate reason for not  
 8 showing up at this family meeting.  
 9 MR. BEARD: General, I do have a note from  
 10 my doctor.  
 11 GENERAL WILLIAMS: Now, don't you use the  
 12 same excuse.  
 13 MR. ZINGESER: You'll be happy to know that  
 14 your security system works well. When I presented my  
 15 badge to come in, because I'm cleared for this  
 16 building, they took it away from me because it  
 17 expired.  
 18 GENERAL WILLIAMS: Okay. What we're going  
 19 to do now is try and get started. You have your book  
 20 and you have the issues before you. So what we're  
 21 going to do is start with planning. And I'm going to  
 22 skip around a little bit to make certain that we get

5 (Pages 14 to 17)

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1 a good cross-section here.

2 I think we'll start with Number 1. Chuck  
3 Floyd is responsible for this so I'll let him kind of  
4 introduce it and then we'll see where it takes us.

5 MR. FLOYD: We're looking at our post-  
6 occupancy evaluation and how we can accomplish this  
7 and get the information fed back into our system to  
8 make sure that lessons learned are captured and we  
9 learn from that so we don't make the same mistakes in  
10 the future in new buildings.

11 So we'd like to find out what is industry  
12 doing in this area and how are we capturing that and  
13 getting it back into the planning through design  
14 phase so that those mistakes are enhancements that  
15 may be included in the future.

16 And then after that in planning we feel  
17 that our IT system is the most critical thing right  
18 now that we can enhance. And so we'll talk about  
19 that, you know, sometime later. But post-occupancy  
20 evaluation is where we want to start. Any comments?

21 MR. READY: I guess I'd like to understand  
22 what it is that you are asking to evaluate. I mean,

Page 20

1 We want the occupants to have lived through  
2 a cycle or two of the building and then we interview.  
3 We do questionnaires. We talk to the people who  
4 designed and built the building in OBO, and then we  
5 go out and talk to the people at the post.

6 And then when we come back our reports  
7 emphasize kind of what Chuck said, the things that  
8 didn't work very well and why didn't they, and the  
9 things that worked particularly well and ought to be  
10 recognized and certainly incorporated into future  
11 design.

12 MR. FLOYD: And we have a core team of five  
13 people that go out. We have a structural engineer,  
14 electrical, mechanical --

15 MR. MOUNT: Sometimes it depends upon the  
16 particularities of the building. When we did the  
17 evaluation of our new facility in Moscow we had a  
18 slightly different team than the one we just did on  
19 our new modular buildings in Ashkabat and Bishket.  
20 But it's a relatively small team.

21 The process is multidimensional and  
22 multidiscipline and we involve a lot of people within

Page 19

1 are you looking at the physical building and the  
2 construction process, the pricing, the costing, that  
3 kind of thing?

4 Are you looking at trying to get a handle  
5 on the user response to the product and did it  
6 satisfy the design objectives, if that's what you're  
7 --

8 MR. FLOYD: Good question. I'll have Gay  
9 Mount, who's in charge of this program, explain what  
10 we do. We have a team that goes out to look at a  
11 building at least two years after we have occupied  
12 the building. Gay.

13 MR. MOUNT: That's right. Between a year  
14 and a half and two and a half years after the  
15 building is occupied we want to evaluate how well the  
16 building meets the needs of the client.

17 So we don't investigate the design process,  
18 the construction process. What we're looking at is  
19 how well does the building fulfill the requirements  
20 of the post. And we try to do it relatively soon  
21 after the building is built. If we do it ten years  
22 afterwards things change too much.

Page 21

1 OBO. But the team that actually goes out and does  
2 the interviews and the walk-through and the  
3 examination is this interdisciplinary small team.

4 GENERAL WILLIAMS: I suppose what we're  
5 asking you as a group is a sounding board on whether  
6 or not this procedure makes sense. Is a two-year  
7 point the right time point? Should we go out  
8 immediately, later? Are we sort of asking for the  
9 right info and that type of thing?

10 It's more of a traction kind of question to  
11 make certain that we have got this procedure in  
12 place. And if it sounds and smells okay to you then  
13 we'll keep it going. We are not necessarily looking  
14 to reinvent anything but we would just like to know  
15 that we have a good practice in place. If it doesn't  
16 make any sense you might ask us why we're doing it.  
17 That's the whole purpose.

18 MR. READY: I don't want to overstate it  
19 but it seems to me that one of the questions I would  
20 have is how well are you documenting the design  
21 process and the input process going in?

22 If you document the reasons why you think

6 (Pages 18 to 21)

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1 you're doing something on the front end then it's a  
2 lot easier to see if those assumptions and those  
3 things that you thought were valid at the start of  
4 the process or decisions made about allocation space  
5 or whatever if those are valid after the building is  
6 there.

7 I think those are the best tools because  
8 they tell you very quickly whether your assumptions  
9 are wrong and whether there's major changes that need  
10 to take place as you move forward as opposed to just  
11 minor tweaking.

12 GENERAL WILLIAMS: Excellent point. Joel.

13 MR. ZINGESER: I was just going to say that  
14 in my experience, post-occupancy evaluation has been  
15 given lip service at best. And it sounds like you're  
16 doing more than anybody is probably doing with the  
17 exception of probably some corporations that have  
18 special facilities and really pay attention to those.

19 But the interesting thing that strikes me  
20 is as we move from the traditional design-bid-build  
21 world to the performance-based procurement of design-  
22 build, as I think I might have said last time, the

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1 be able to define that before you start and then --  
2 and I agree with Joel -- that I think that you are  
3 on, definitely on the front end of doing that as a  
4 standard, that I'm hearing from you.

5 In our particular case we have such  
6 differing functions of every single facility that we  
7 build that there's no commonality from one to the  
8 next, which is a real advantage that you have in that  
9 you have the same function, place after place after  
10 place, to differing degrees but at least you do the  
11 same thing.

12 And I think that you can use those lessons  
13 to improve through time as you develop the program  
14 and look at the research that you're gathering from  
15 the end result or the after-the-construction process  
16 where you find out whether or not what you planned to  
17 put there really does do what you thought it would do  
18 and meet the needs of the occupants.

19 So I think that that again is an option  
20 that you have that maybe some people like Marriott or  
21 McDonald's or some of these other places have the  
22 repetitive construction that would allow you to have

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1 real onus in that design-build world is on the owner  
2 to define in both prescriptive and performance terms  
3 what it is you really want.

4 And then ultimately if you're going to  
5 continue to operate that way I would say it's  
6 critical that you continue to understand what you've  
7 got and how did it measure against what you thought  
8 you were going to get.

9 So it sounds like what you're doing  
10 generally is ahead of the curve, although my  
11 colleagues may have other experiences, and it will  
12 become even more critical as you go forward with  
13 design-build.

14 GENERAL WILLIAMS: That's very helpful.  
15 Yes, Ida.

16 MS. BROOKER: The issue may be just  
17 semantics but what David and Joel allude to, what in  
18 my vernacular is called the "programming" of the  
19 whole facilities up front. And it's the establishing  
20 of the form, fit and function of what you want to end  
21 up with and like they have said, is finding out what  
22 that is. And as an owner/occupant that you want to

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1 the ability to gather that information and utilize it  
2 on an ongoing project.

3 GENERAL WILLIAMS: Thanks, Ida. Any other  
4 comments on that one? Well, I'm going to read from  
5 the feedback that we're okay. We just need to  
6 continue to look at this and make certain that that  
7 programmatic information that we garner in a post-  
8 mortem fashion does, in fact, get factored in to  
9 tweak the program going forward. And then it would  
10 have served its usefulness. So we will continue that  
11 process.

12 Moving to the next one, we have launched  
13 sort of a new dimension of the business in order to  
14 give us another tool in order to try to deal with  
15 some of the difficult areas where we either don't  
16 have time or we don't have the resources to stand up  
17 a new facility.

18 We're looking at leveraging the private --  
19 not leveraging but asking the private sector to  
20 participate where it's possible in the way of  
21 building a certain facility and then leasing it back  
22 to us. So we're just interested in your views about

7 (Pages 22 to 25)



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1 the build-to-lease concept, whether it makes sense,  
 2 what caution signs would you throw up about that.  
 3 Yes, Derish.

4 MR. WOLFF: I think it's an excellent  
 5 vehicle for OBO to consider but -- and the State  
 6 Department in the past has tried it several times and  
 7 the post office has good success with it.

8 I think a couple of issues that they have  
 9 to recognize: one, there's always a problem of  
 10 transparency because of the negotiations. So you're  
 11 always subject to being attacked on fairness.

12 It's not easy to get around this because  
 13 it's really -- a successful lease agreement is really  
 14 a business negotiation and then when you get all  
 15 done, one of the other bidders said, you didn't tell  
 16 me you wanted all these or you didn't want these  
 17 things.

18 So there is a problem and you have to be up  
 19 front with it that it's not going to be as easy as a  
 20 straight design-bid-build kind of issue.

21 Secondly, I think you -- specialized needs  
 22 which you and your tenants are full of really make it

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1 them into annexes and office buildings which are  
 2 really designed, which are more akin to a commercial  
 3 site and allow them to move in, pay a lower rent and  
 4 at the same time allow you to negotiate an easier  
 5 agreement. So I think it's certainly something you  
 6 should explore. I know you already are.

7 GENERAL WILLIAMS: You know, this is an  
 8 excellent point, connecting the build-to-lease to the  
 9 cost-sharing. It's something that we hadn't really  
 10 looked at. We clearly will factor that into our  
 11 thinking. Are there other comments about this  
 12 matter? Thanks, Derish. Yes, Harold.

13 MR. ADAMS: General, I would agree with  
 14 what Derish said. I think that the only problem I  
 15 would envision with your facilities is those areas  
 16 that are very, very unique. All developers look for  
 17 their exit strategies and so they will be paying a  
 18 great deal of attention to their exit strategy.

19 If the term of the lease is long enough and  
 20 it may be -- you may look at ways of doing it more  
 21 along the lines of some of the GSA projects, longterm  
 22 leases where at the end of the lease term the

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1 a less convenient vehicle because what you're really  
 2 looking for is that you want something that a design-  
 3 build real estate developer is comfortable with but  
 4 also the big plus is the exit strategy it provides  
 5 because they can release it.

6 And the more specialized -- if you want to  
 7 get out of the lease or your needs change there are  
 8 ways of doing this. And there is real advantages but  
 9 the problem you get into is the more specialized  
 10 needs you start putting in the more -- the less value  
 11 it is to the owner, residual value. He can't use  
 12 certain things that are very valuable to OBO. So  
 13 those two areas, transparency and re-use or re-  
 14 renting are important.

15 I think my suggestion to you, because I'm a  
 16 big fan of that system and you have big shoulders,  
 17 you've been there before, but my suggestion is, and  
 18 this gets back to your comment on your tenants and  
 19 their cost-sharing, as you find some of your tenants  
 20 have to start paying for the services they demand  
 21 they may need less salubrious sites.

22 And this gives you an opportunity to put

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1 developer turns the building over to you.

2 We have worked in a design-build developer  
 3 team doing some very complex buildings for General  
 4 Services Administration where it's a design-build-  
 5 leaseback.

6 A very large project over in Baltimore for  
 7 the HCFA, a complicated, huge data center. They  
 8 print more checks than the Department of Defense.  
 9 And it's a leaseback facility with the developer.

10 So you can do it and you can achieve high  
 11 quality of space and certainly move much faster in  
 12 many ways as long as you have the legislation that  
 13 will allow it.

14 GENERAL WILLIAMS: Thanks Harold. Keith,  
 15 will you say a word about what we are looking at now?  
 16 It's by no means fully fleshed out but just give the  
 17 panel a sense of sort of how we're approaching it.

18 MR. WILKIE: Certainly. We are looking at  
 19 more and more of these. We've done a few of them in  
 20 the past. We're looking at over a dozen right now.  
 21 And they're across the board in terms of types of  
 22 properties. And some of these concerns are more

8 (Pages 26 to 29)

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1 relevant to some than others.

2 For example, we're doing staff housing  
3 compounds, which clearly the exit strategy is not as  
4 big of an issue. We're doing ambassador residences,  
5 for example, a similar situation there. But what  
6 we're doing more and more of now is office annexes,  
7 and those start to get a lot more complicated.

8 We also have to deal with some OMB scoring  
9 rules that limit some of the ways the transaction is  
10 structured and negotiated. It affects the length of  
11 the lease term, for example. It prevents us from  
12 doing this on property that we own so a developer has  
13 got to provide the land and the building, the whole  
14 works.

15 Also, the lease-purchase situation where  
16 the property is turned over to us at the end of the  
17 lease is considered by OMB a lease-purchase rather  
18 than a lease. And it affects the way we score and  
19 budget the stream of payments. So that hampers us a  
20 little bit, too.

21 GENERAL WILLIAMS: Okay. Yes, Tod.

22 MR. RITTENHOUSE: Just a couple of thoughts

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1 to arrange teams over the last couple of years in  
2 this scenario, there have been a couple of different  
3 baseline issues, and that is the length of the lease.

4 Some of these guys are looking at --  
5 originally there was some 30-year leases, and I don't  
6 recall how the Department of Transportation leases, I  
7 think that might be a 30-year which is very  
8 favorable. Some of them got down to 15 years. And  
9 the developer is like, why am I going to build all  
10 this and then come back and only have 15 years of  
11 income at a favorable rate.

12 So on many of these jobs, for instance, in  
13 D.C., they say we know the bid is \$32.75 a square  
14 foot because that's what it's going be. Now, how do  
15 I get there? Can I build it for that? Can I make  
16 money off that over X years. So getting that long  
17 lease is one of the bigger issues.

18 Another thing that was just brought up by  
19 Keith was this issue, and I realize we're not going  
20 to change Congress or the laws, but there's air  
21 rights and other rights that we can perhaps look into  
22 of, okay, can you build on government property,

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1 because we have done -- like everyone else here, we  
2 have done a number of these and brought it up last  
3 time, and some of them have been complicated  
4 buildings, like we did a big FDA site which is very  
5 specific also but it can turn into a commercial  
6 laboratory.

7 But in speaking with several developers  
8 over the last -- you know, their business is really  
9 shrinking down so they're saying, okay, so why is  
10 Weidlinger so busy, and it's because we're more  
11 diversified in government stuff. And they say, well,  
12 is there room there for us?

13 That's where Harold and I are working on  
14 some FBI facilities. We've done a number of those  
15 and it's very conventional. It turns back into an  
16 office space. That's why I -- before you got into  
17 this I was going to say the other buildings, the  
18 annexes or the GSO or some of these other facilities,  
19 not just the main building which is very, very  
20 specialized and IBM is not going to want to move into  
21 an embassy.

22 But in talking with developers and trying

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1 compound comes to mind in Sao Paolo, a beautiful  
2 compound. There's some room in back there. Can we  
3 possibly build on that, the developer build on that  
4 and lease that back to you or create something like a  
5 30-year lease-operate.

6 The Newark Monorail, for instance, was a  
7 project where it was design-build-lease -- design-  
8 build-operate and turn over after 20 years. The  
9 builder had to operate it for 20 years. Of course,  
10 it changed hands three times, the owner, but that  
11 operate.

12 Maybe it's not a leaseback but design-  
13 build-operate with you guys being the actual owner of  
14 the facility. That might be an option that you could  
15 examine with OMB.

16 GENERAL WILLIAMS: That's excellent. Yes,  
17 Harold.

18 MR. ADAMS: General, the other area that  
19 you might explore, and I think it would be well worth  
20 your doing a study of the British system. They call  
21 it the PFI, private finance initiative.

22 They're building a large number of

9 (Pages 30 to 33)

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1 hospitals that way but they're also doing military  
2 bases and are looking at doing embassies. So I would  
3 encourage you to speak to our good friends the  
4 British about their whole program.

5 GENERAL WILLIAMS: Thanks. Any other  
6 comments? Yes, David.

7 MR. READY: I just -- I agree with all of  
8 the comments and things. I think the one thing that  
9 sort of occurs to me is that when you go this route,  
10 of course, the financing is happening on the private  
11 sector side, and I don't know what kinds of rules and  
12 restrictions would get involved if you securitized  
13 out the lease or those kinds of things but I think we  
14 ran into those issues with some of the privatization  
15 military stuff that we did back in some earlier days.

16 And I think you need to be very clear  
17 about what those rules and game plan should be if  
18 you're going to be successful with any kind of  
19 projects because obviously the developer has got to  
20 go out and find his money and if there are  
21 restrictions on who can hold.

22 At the same time I think it opens up a

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1 thing done. So this is interesting. Are there other  
2 comments about this build-to-lease concept?

3 MR. ZINGESER: Just one thing that strikes  
4 me is going back to the discussion we had at the last  
5 meeting about life cycle of the building and the,  
6 quote, 50-year life that we talked about.

7 We said 30 years was too short because  
8 we're older than 30, and a hundred years was a  
9 monument and so forth. I can tell you that the  
10 private sector developers, as you well know, are  
11 pretty good at making sure that if you have a 30-year  
12 lease that that's the level of quality you're going  
13 to basically be targeting.

14 And if you have a 50-year set of criteria  
15 there is a premium to be paid and that doesn't mean  
16 it's wrong. In fact, it's right. If the government  
17 is going to end up in the end with the property, if  
18 that's what's going to happen, then you do want to  
19 make sure you're building to your longterm needs.

20 But the numbers and the specifications and  
21 so forth probably are different than what that  
22 traditional developer might be thinking. So just it

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1 tremendous supply of funds if you can structure the  
2 deal so it can be securitized properly. And given  
3 the market right now where there's a tremendous  
4 amount of interest in solid real estate, longterm  
5 parking, just immediate impact over the next couple  
6 of years, where those interest rates are low you  
7 could certainly leverage the value of those leases  
8 out since they carry the government guarantee.

9 GENERAL WILLIAMS: Well, this is  
10 interesting because I think you can see where we are  
11 headed. We're trying to find a way to help ourselves  
12 and generate more wherewithal. And since we are  
13 operating in a results-based configuration, you know,  
14 naturally we are allowed to think out of the box and  
15 look for these things if they make sense.

16 And our biggest hurdle is to find a way to  
17 noodle past or under some existing rule that we may  
18 have in our OMB and the like because we're still a  
19 public and a State Department entity so we're still  
20 in the government.

21 But at the same time we have to start  
22 thinking nontraditional if we're going to get this

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1 would be something to keep in mind.

2 GENERAL WILLIAMS: Okay. Thank you.  
3 Keith.

4 MR. WILKIE: It's a real fine line when  
5 you're trying to negotiate these things, dealing with  
6 the OMB scoring rules and still trying to get the  
7 product. Two issues, two comments I would like to  
8 address: one, an embassy is not an office building.

9 Frankly, part of what I do is sell a lot of  
10 old embassies and they're usually bought either for  
11 the site or to be used as office space. And they  
12 really are generally office buildings. And the  
13 market tends to see them that way in most places.

14 The other point is we always try on all the  
15 build-lease transactions, regardless of what type of  
16 property, to build in options to purchase so that if  
17 funds become available and if the stars line up  
18 correctly we end up owning the property anywhere, but  
19 it's buying it at a market-based price rather than  
20 some special discount.

21 And we also build in a lot of options to  
22 renew the lease, trying to lock ourselves in for the

10 (Pages 34 to 37)

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1 right to use the property for a very long term even  
2 though the initial lease term may be 9 years or 12  
3 years or something like that.

4 GENERAL WILLIAMS: Okay. Yes, Derish.

5 MR. WOLFF: Would you consider, Keith,  
6 mixed occupancy buildings or they would be dedicated  
7 facilities?

8 MR. WILKIE: It depends on the facility  
9 type. If it's a new embassy office building, a new  
10 consulate office building we have to have setback and  
11 all the security issues. And so it's a little hard  
12 to do a mixed-use type, but when it gets into housing  
13 that's another issue. It's certainly a possibility.

14 Like we have considered in the past a  
15 number of years ago when the market was really high  
16 in Southeast Asia looking at some joint ventures  
17 where we had a piece of property. We work out  
18 something with the developer where he would really  
19 take advantage of the development opportunities that  
20 are provided by that site, and in exchange for being  
21 able to use the development rights we would get X  
22 number of apartments, for example, in a high-rise

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1 normally provide because this has been a mixed bag  
2 for us? We don't have a contract relationship with  
3 the developer or the contractor.

4 So sometimes from the construction division  
5 standpoint we're kind of in an awkward situation.

6 And I have placed folks at sites depending on the  
7 size of the project and called them project  
8 coordinator for projects like this.

9 And they have been in situations that they  
10 don't have any contractual relationship with the  
11 contractor but we're trying to provide some form of  
12 an oversight so it gets done to our specific  
13 requirements.

14 So this is kind of a challenge that I'm  
15 dealing with right now and then with more and more  
16 build-to-lease type of situations I'm toying with  
17 that, how much oversight, how much management of  
18 these facilities would be prudent.

19 GENERAL WILLIAMS: Who wants to jump on  
20 that one? Yes, David.

21 MR. READY: Well, I mean, I wouldn't see a  
22 problem with having an owner's representative in

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1 apartment building. So we have looked at those kinds  
2 of things. We haven't actually gone through with  
3 that yet.

4 MR. WOLFF: But if you look at the model of  
5 poorer countries, not the United States, there was a  
6 lot of success among the smaller countries had  
7 success with setting up Canada or Belgium Houses  
8 around the world where they also brought their own  
9 major companies.

10 It became a cachet address to put the  
11 consulate in the office and they also brought in  
12 large companies that wanted to be there. And the  
13 developers gave you preferential rights because you  
14 were like an anchor tenant. The Canadians did very  
15 well.

16 GENERAL WILLIAMS: Yes, P.K.

17 MR. BAGCHI: This build-to-lease also I'm  
18 kind of curious about what has been the industry  
19 experience from the lessor's standpoint. You know,  
20 we're not the owner. We're leasing the facility but  
21 we have some unique requirements.

22 How much oversight of construction do they

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1 normal situations even if you're primarily answerable  
2 even to a trustee/takeover bank situation.

3 A major tenant has an interest and usually  
4 has an owner's rep somewhere attending meetings,  
5 listening to discussions, understanding what kind of  
6 problems are occurring. Usually they're looking to  
7 see if there's a way to trigger off an exit. But  
8 they're there. And they definitely play an active  
9 role, at least from my experience.

10 As a major tenant I would think you would  
11 have a presence and an agenda and an answerability  
12 requirement of whatever team is putting space in  
13 place.

14 MR. BAGCHI: Usually, that hasn't been the  
15 problem. The problem has been trying to hold their  
16 feet to the fire to deliver it.

17 MR. RITTENHOUSE: Two areas we've had  
18 experience in and one is -- obviously, there's the  
19 scope document that has to be written up front and be  
20 typed, and on two different jobs we had the GSA  
21 representatives were there.

22 And when it came down to a certain element

11 (Pages 38 to 41)

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1 there was that discussion between the developer  
2 person and the GSA representative. And there was a  
3 lively discussion.

4 In other cases they had hired -- at the FDA  
5 lab they hired HLK as their representative to work  
6 out the issues. They represented the government's  
7 interests and came up against us because they were  
8 there -- they got paid by the government.

9 So it hasn't been a problem but I don't  
10 know when it comes down to issues, okay, like an area  
11 -- I can't really name an area but, for instance, you  
12 and Peter had many discussions on Moscow and would  
13 you have that same role or someone like you had that  
14 same role, yes, but who had the final answer?

15 And that final answer actually would be  
16 between you and Boston Properties, Hines or whoever  
17 that developer would be because you write their  
18 check.

19 GENERAL WILLIAMS: Keith.

20 MR. WILKIE: It's basically a fundamentally  
21 different way of doing business, and P.K. touched on  
22 it, that the contractor or the architect doesn't work

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1 We have the problem of oversight and  
2 control and Elaine just offered one path forward. We  
3 have the issue of scoring and that is getting around  
4 where the particular facility is being built and the  
5 like.

6 So we're doing it but we know that there  
7 are still some explanations we have to talk about. I  
8 don't think there's any issues as far as the Congress  
9 is concerned. It's just getting past some of the  
10 control boxes and limits that we have to deal with as  
11 far as OMB is concerned. Are there any other  
12 questions? Yes, ma'am.

13 MS. LOFTNESS: If I may, from the  
14 sidelines, make a comment.

15 GENERAL WILLIAMS: Sure. By all means.

16 MS. LOFTNESS: Just a few issues that I  
17 sense in this conversation. If the goals are set for  
18 why you're shifting to a lease versus an ownership  
19 environment you might come up against the question of  
20 whether ownership doesn't turn profit into quality  
21 and quality control.

22 One of the advantages of owning your own

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1 for us. He works for the developer.

2 And having an owner's rep, whether it's an  
3 in-house owner's rep or somebody that's hired from  
4 the private sector to be our owner's rep, is pretty  
5 typical in the industry.

6 But there is still no contractual  
7 relationship other than the scope of work that  
8 everybody is trying to deliver between that owner's  
9 rep and anybody else. That's the challenge in that  
10 it's not your money and you don't have control. It's  
11 a fundamental difference.

12 MS. ANDERSON: Excuse me, General Williams.

13 GENERAL WILLIAMS: Yes.

14 MS. ANDERSON: One comment on that. One  
15 possibility to control the process is to write the  
16 responsibility of the owner's rep into the lease  
17 document from the get-go, put it in up front.

18 GENERAL WILLIAMS: Did everybody hear that?  
19 Okay. Any other input on this subject? This is new  
20 ground for us and we want to try to have thought  
21 through all of the issues. And there has been some  
22 good comments around the table.

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1 property is that that margin of profit that's  
2 necessary for the lease environment to stay alive is  
3 being plowed back into better quality materials and  
4 quality control in construction.

5 And if the goal is just because the  
6 expertise in the private sector is better than the  
7 ability of the public sector where you're building,  
8 maybe you should be hiring expertise rather than  
9 releasing ownership.

10 And I think it just strikes me that no one  
11 had a conversation really about are there other  
12 strategies for achieving the efficiencies of the  
13 private sector without handing the whole quality of  
14 product back over.

15 GENERAL WILLIAMS: No, but we can listen to  
16 a couple of those if you have some.

17 MS. LOFTNESS: You know, I'm not actually  
18 sure I have some. I think one of the fears I have is  
19 that if you shift into a lease that is in a  
20 competitive environment you're going to end up having  
21 to least-cost your leasing strategy so you'll really  
22 lose control.

12 (Pages 42 to 45)

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1 So obviously, performance programming is  
2 one issue. Possibly, as I was trying to allude to,  
3 maybe hiring the project management to act on your  
4 behalf within a restricted profit margin so that the  
5 profit margin doesn't become your quality or becomes  
6 a limit and, in fact, works on behalf of your  
7 quality.

8 There might -- I'm not a pro in this area  
9 but it strikes me that you might be giving away the  
10 quality with the profit.

11 GENERAL WILLIAMS: And obviously, you know,  
12 that's our concern, whether or not we are  
13 relinquishing the jewel. Yes.

14 MR. RITTENHOUSE: There is a couple of  
15 examples of that right now across the Hudson River in  
16 New Jersey. Goldman, Sachs is building a huge campus  
17 and they've hired Hines with no interest in the  
18 building but to do all of their developer-based  
19 initiatives on behalf of Hines -- on behalf of  
20 Goldman Sachs.

21 And so they were hired in that capacity and  
22 they're beating up everybody just like they would if

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1 your interests.

2 So the financing and the delivery mechanism  
3 stands on top of your initial programming and your  
4 initial design desires. And you've got to have that  
5 in place. You can't throw that out or cut that short  
6 regardless of what mechanism is used to implement it

7 I think the more you rely on the owner's  
8 rep or the third-party process the more critical it  
9 is to assure guidance in front.

10 I guess I'm a little concerned with the  
11 idea of the owner's rep if what happens is in the  
12 middle of the process you want to change gears.  
13 That's very difficult to allow to happen with a  
14 lease-purchase strategy.

15 You have to know up front and then you have  
16 to live with your decisions, good or bad or  
17 different. You can't have one of your subtenants  
18 suddenly changing major criteria on you and expect it  
19 not to have a major cost, a negative cost  
20 implication.

21 GENERAL WILLIAMS: I really appreciate this  
22 discussion because this is like our cost initiative

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1 it was their own building but the profit resides back  
2 with Goldman Sachs. And there's many examples.  
3 That's just one out there of owner's reps.

4 But that's just one area where I've seen  
5 Hines, Boston Properties and some others doing that  
6 where they have no interest in the property but  
7 they're paid to look out for your best interests.

8 And they know the tricks and there are  
9 people who -- they're as educated in the trades as  
10 your people are but they -- there's a huge carrot out  
11 there because we all want to work for them again.

12 MR. READY: If I might.

13 GENERAL WILLIAMS: Yes.

14 MR. READY: I think that this goes back to  
15 the -- if you're going to have an effective owner's  
16 rep or get into a third-party management relationship  
17 to represent your interest it goes back to the  
18 programming and what you want out of the building or  
19 out of the complex.

20 And if you don't have that documented and  
21 well established it's very hard for your owner's rep  
22 to stand and make the arguments necessary to protect

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1 we spent some time on. This is really private sector  
2 stuff so we really like your ideas about this and it  
3 wouldn't be on the schedule unless we were actively  
4 pursuing it.

5 And as Keith said, we're trying to do a  
6 little bit of it. We get ready, we think we have  
7 things teed up where this might be something we may  
8 want to look at and get into it a little bit, not to  
9 overtake anything that we're doing.

10 We've got plenty to design and build and  
11 everything else but this is to look for that annex,  
12 that office building in Addis Ababa in Ethiopia.  
13 We're just not going to get anything designed and  
14 built in the near-term.

15 But if there is a capability in the private  
16 sector to build something and can lease back, this  
17 can help us. But we want to do this right. We don't  
18 want to go into it, be criticized, and I know you  
19 don't want us to do that because remember you're tied  
20 to us.

21 And so that's why I want to vet it real  
22 well and make certain that we are together on an

13 (Pages 46 to 49)

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1 approach. So I appreciate all the comments. Are  
2 there more? Yes.

3 MR. ZINGESER: With the way you just  
4 described it I feel more comfortable. When you talk  
5 about annexes, ancillary buildings, the sidebars.

6 GENERAL WILLIAMS: Absolutely. Good point.

7 MR. ZINGESER: As a citizen involved in  
8 this industry I get nervous when things that ought to  
9 be government start to go the other way.

10 Not that this is what you're proposing but  
11 one of the things that's definitely out there that  
12 makes me anxious is the notion that GSA is going with  
13 and is supporting of taking federal buildings and  
14 putting them in the private sector for renovation and  
15 leaseback.

16 You're talking about institutions and  
17 buildings that are America. When we talk about  
18 embassies overseas that is America overseas. And so  
19 not to sound very political or make a speech, I get  
20 real anxious when you're talking about the main core.

21 GENERAL WILLIAMS: Well, you know, Joel  
22 raised a very, very good point and it might have been

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1 companies, if you have that requirement.

2 If the security will require that it be  
3 American then you need to really explore whether or  
4 not there's a deep enough group of people that could  
5 supply so that you get competition.

6 GENERAL WILLIAMS: Good point. At the  
7 moment we are not going to look at those facilities,  
8 we're not looking at those facilities that would  
9 require that type of oversight and that requirement.  
10 We are only looking at -- because, you know, we have  
11 a lot of requirements to just get some element in a  
12 building. That's an office building. That's no  
13 different than leasing something or doing whatever.

14 So we would be very selective here and just  
15 a careful alternative. This is not something that  
16 we're going to dive into and substitute for some  
17 other delivery method that we have. This is just  
18 only to deal with that fringe, those fringe  
19 facilities that we may not have another capability of  
20 doing.

21 MR. BEARD: General, just one comment on  
22 the issue of programming and developers. Must be the

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1 a lack of clarity up front but what we're talking  
2 about is not building an embassy, not a compound.

3 We're talking about when we have an obvious  
4 overcrowding condition and it's make some sense to  
5 move the public, that part of the operation that  
6 connects to the public or something of that nature,  
7 into a separate annex that's adjacent to, from a  
8 property standpoint, it's what we would be talking  
9 about. Clearly, we're not talking about building an  
10 embassy at all or anything that even relates to the,  
11 quote, institution.

12 MR. ADAMS: General, I think the other  
13 cautionary note, and one that I would suggest that  
14 you assemble a group of companies that might be  
15 interested in this kind of endeavor to question them  
16 is that problem that you have with finding enough  
17 contractors.

18 I think you may find even less American  
19 developers that would be interested in going  
20 overseas. There are a handful of them that are.  
21 Hines is one and Cushman Speir (phonetic) and a few  
22 others, but there are not many American development

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1 lawn crew outside, maintenance. There seems to be a  
2 growing dichotomy between traditional kind of  
3 prescriptive programming and performance-based  
4 programming.

5 I worry about those developers who beat up  
6 everybody below them. There are some enlightened  
7 developers who think about performance goals and  
8 performance programming.

9 And if the solicitation by the State  
10 Department could get those developers to those kind  
11 of best practices so when you test that your facility  
12 audit two years down the road and say are these  
13 systems living up to those performances that we  
14 expected way back at programming that might encourage  
15 the developers to use those good contractors,  
16 designers, subcontractors along the way.

17 GENERAL WILLIAMS: An excellent point.  
18 Excellent point. Okay, I think you have given us  
19 some good information, given us some things to think  
20 about, and I think the caution flag is still up  
21 there. I'm not going to tell you that we're not  
22 going to proceed ahead because we will but we're

14 (Pages 50 to 53)

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1 going to do it very cautiously.

2 I like Harold's idea of maybe at some point  
3 assembling people who kind of do this on a regular  
4 basis and extract some information from them. So we  
5 will keep it on our to-do list and work it and be  
6 very careful. I think that's what you are saying to  
7 us, be cautious and make certain that we don't create  
8 a bigger problem for ourselves. So I think we heard  
9 you.

10 Let's move to another area. This is on the  
11 contracting side and it is Number 8 in the book. I  
12 think this was put forth by Joe Toussaint so I'll  
13 have him kind of elaborate a little bit on it. But  
14 we have a problem with this matter and we just want  
15 to know how you're dealing with it since 9/11.

16 MR. TOUSSAINT: And there's really not a  
17 whole lot to add to that. I think everybody who's in  
18 this business knows what's happening where we're  
19 faced with having to entertain such things as letters  
20 of credit from contractors instead of performance  
21 bonds and so forth.

22 They're having trouble getting bonded and

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1 capable contracting firms are, in fact, being told  
2 no. And it has nothing to do with their ability to  
3 perform, their financial strength at all. It's just  
4 pure and simple capacity. It's not there.

5 I can tell you that our company is a small  
6 company in the \$100- to \$150-million a year range.  
7 Our capacity, our bonding has been good and has grown  
8 but what we're doing, and I suspect others are doing,  
9 is looking for multiple carriers to just give us some  
10 flexibility in that sort of problem.

11 There is no magic. There is no silver  
12 bullet that I know of. This does get rolled into the  
13 insurance problem which we talked about before also  
14 on anti-terrorism and even in general, and that does  
15 relate to 9/11, and has to do with liability and  
16 general liability and other forms of insurance. And  
17 there again the reinsurance market has really been  
18 drying up.

19 So the only word I hear from our agent,  
20 which is a very large company, is that they -- is  
21 that it's very competitive. You have to do a lot of  
22 work to get what you need, to get the coverage you

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1 we would just be interested in knowing what  
2 strategies are being, what methods are being employed  
3 by the private sector and other government agencies.

4 GENERAL WILLIAMS: Joel.

5 MR. ZINGESER: A couple of months ago I had  
6 a lot of facts and figures on this, and I don't think  
7 I have them with me and I won't bore you with them if  
8 I did, but basically the situation I think that you  
9 know is that before 9/11, and it's really not related  
10 to 9/11, the problem, but a year or a year and a half  
11 ago, two years ago, there were a dozen companies that  
12 were in the surety business of providing bonding to  
13 contractors. I think the list is down to four now.

14 And some of the hits were Enron, Kmart and  
15 it wasn't necessarily construction bonding. It was  
16 bonding -- it was the surety that was being provided  
17 for other aspects of business. And there were other  
18 alternatives and there are other alternatives for  
19 them in terms of doing business. So they have pulled  
20 back, a few of them. The secondary markets,  
21 reinsurance, also have been seriously affected.

22 So what's happening is that very large,

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1 need.

2 The rates are higher, even if you're doing  
3 better and all your little quotients and factors on  
4 health and safety and so forth are coming down, the  
5 rates are higher.

6 So it's very competitive but they, I think,  
7 tend to look at this as a pendulum swing that will in  
8 due time come back with all of the movements that  
9 occur in our economy and market.

10 The big issue, of course, is the government  
11 coming into play and underwriting or, if that's not  
12 the right word, somehow bolstering the industry as it  
13 relates to terrorism insurance.

14 So I don't have an answer for you except,  
15 yeah, it's out there. It's a problem and coming up  
16 with creative ways for you, as an owner, to merit, to  
17 work with contractors of merit is probably the best  
18 you can do, find ways to protect the government's  
19 interest and still enable all of this work to get  
20 done.

21 GENERAL WILLIAMS: What's your comfort  
22 level with the LOC versus the traditional bonding?

15 (Pages 54 to 57)



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1 MR. ZINGESER: You know my favorite answer  
2 to questions like that? It depends.

3 GENERAL WILLIAMS: Well, I just want to  
4 hear it for the record. Harvey, you're sitting over  
5 there. What sort of risk do we have here?

6 MR. KORNBLUH: Well, just listening to some  
7 of our members at AOD with regards to what we do,  
8 which maybe could help here, is we bring in the  
9 surety. There's a surety association information  
10 group that Marlow (phonetic) runs.

11 So I would hold it to a -- not to pass the  
12 buck but maybe as far as AOD is concerned we do have  
13 those, which I may be able to help here, like looking  
14 at the agenda. There are some things that I can't  
15 personally answer because that's not my expertise but  
16 a lot of my members can.

17 If I can get the individual that writes or  
18 ask this question and if they could give me their e-  
19 mail I could pass it on to my steering committee and  
20 my group and they could go directly to your group and  
21 I'll just step out of the middle of it and you could  
22 have that type of back-to-back.

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1 Another issue you asked about contractors'  
2 and owners' risk, and a related issue is the issue of  
3 professional liability insurance. And if you're a  
4 design-builder, constructor led, there are two  
5 companies that just refuse to write professional  
6 liability insurance for you: DPIC is one, Kemper is  
7 the other.

8 So there's an issue there, somewhat related  
9 to bonding that causes problems, capacity on a couple  
10 of sides of the fence.

11 GENERAL WILLIAMS: Well, it's interesting  
12 what Jeff said because that was the general thrust of  
13 the question. We have to -- we know we have a  
14 problem because some of the very large companies are  
15 not -- bonding is an issue.

16 So we just kind of wanted, I got Joel's,  
17 but I kind of wanted your views really about the LOC  
18 and the like, because what we're hearing is that the  
19 sureties are just not, for the reasons that Joel  
20 mentioned, some of them are just not capable of doing  
21 much more.

22 And I really wanted to kind of hear a

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1 MR. ZINGESER: General, there's one thing  
2 that does come to mind, and I will check on this  
3 also, at the same light, the AGC at its last meeting  
4 that I attended on federal construction where this  
5 came up and others present in the room were GSA and  
6 the Corps, I believe, and the Navy and so forth,  
7 there was some discussion of bringing the surety  
8 folks into a government meeting.

9 And if that makes some sense for you also I  
10 can check more whether or not that's in the works and  
11 maybe make sure that -- see if it can happen and see  
12 that your office is involved.

13 MR. BEARD: A general comment on bonding.  
14 I think we have to be cognizant of the fact that  
15 bonding is kind of a Western institution. LOCs are  
16 used worldwide.

17 Some of the larger civil infrastructure  
18 projects you don't have to bond the total amount of  
19 the project. You bond a portion of it, as you know.  
20 I'm not sure that the surety association folks would  
21 like this kind of conversation that we're having  
22 right now.

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1 little bit more. I know it cuts against the grain on  
2 some sides but we're trying to be very open about our  
3 usage of things, and I'd like to hear a little bit  
4 more pro and con about the LOC.

5 MR. READY: This is an area that the  
6 National Association of Minority Contractors has got  
7 a real problem with. We're having great difficulty  
8 with our membership being able, in many cases, of  
9 well proven companies and still not being able to get  
10 bonding.

11 But I think one of the things that we have  
12 asked some of the owners and developers to think  
13 about is looking at the real risk, doing the risk  
14 analysis of what the project is and trying to slice  
15 and dice the projects up so that maybe the thing can  
16 be pieced out, the letter of credit process maybe or  
17 some much more limited bonding concept be used to get  
18 you through phases of the project so that it can be  
19 managed and that in our case hopefully more diverse  
20 contractors and subcontractors can be used.

21 I don't know what kind of attempts may be  
22 out there just to document the risk analysis of your

16 (Pages 58 to 61)

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1 projects but I think I would suggest that that might  
2 be worth really taking a serious look at given the  
3 bonding problem.

4 The knee-jerk reaction from, I think, the  
5 government generally is well, you've got to have a  
6 bond. It's got to be covered for everything and we  
7 want a shotgun approach. And you can't afford it.  
8 And maybe your projects aren't feasible in this  
9 environment if that continues to be the approach.

10 GENERAL WILLIAMS: Thanks.

11 MR. ZINGESER: Well, on the insurance side  
12 though, generally speaking, the private sector  
13 requirements for coverage are higher than the  
14 government. So it's not that the government is more  
15 demanding.

16 GENERAL WILLIAMS: Right. Yes, Derish.

17 MR. WOLFF: For some of the reasons Jeff  
18 was saying we've been using letters of credit for  
19 years in certain activities. But they are generally  
20 more powerful than bonds but you have to define them  
21 very carefully.

22 And that's the dilemma. You have a whole

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1 is, say, for a domestic contractor. You might want  
2 to look at the various contracts you're using and see  
3 whether each has a specialized bonding issue right  
4 now that may be different from essentially the  
5 industry where you have a \$250 million -- what's  
6 happening in the industry is that they just cut off  
7 the megaprojects in a sense and the simple -- we just  
8 had a review with Charbon (phonetic) and the review  
9 is, for example, I think Joel was alluding to it is  
10 to break up your project so you can get your  
11 subcontractor to provide part of the bond.

12 There are ways of doing it but you may have  
13 a special issue and you might want to look at each of  
14 your contractors to see whether for reasons outside  
15 the ordinary industry practice their bonding lines  
16 are shrinking.

17 For example, forgetting about your own  
18 contractors many of the Japanese contractors had huge  
19 power in Asia and the Pacific Rim in the late '90s  
20 because they had access to almost unlimited bonding  
21 capability.

22 And then when banks like Sumotomo who were

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1 built up -- you know what a bond is. Zurich knows  
2 what a bond -- a letter of credit is a very specific  
3 -- so unless you develop a standardized letter of  
4 credit it protects different things.

5 And you get back to the very points Dave  
6 was saying and Joel. In order to use a letter of  
7 credit correctly you have to decide what your risk  
8 is. And that forces you to do a lot of things you  
9 don't have to do with bonding.

10 So it's much more difficult initially to  
11 work it. If you can define your risk it's a much  
12 more powerful tool than a bond. You just call it  
13 letter of credit but that's your issue. And also how  
14 rich the contractor is because they have limits to  
15 what they can issue.

16 The other thing is you may have a special  
17 problem at OBO that you might want to investigate  
18 which is that the -- I'm trying to be as diplomatic  
19 as possible -- the kinds of contractors you have tend  
20 to be the kinds we love, the really good risk takers,  
21 some of them with foreign support.

22 So it may be a worse issue for you than it

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1 backing them got in trouble suddenly their bonding  
2 dried up. It had nothing to do with the industry.  
3 It had to do with a kind of relationship that we  
4 don't always have between banks or insurance  
5 companies and the contractor.

6 So you might want to look specifically,  
7 Joe, whether it may be something -- it's a problem  
8 with the industry being something that's magnified  
9 for OBO. I hope I said that diplomatically.

10 GENERAL WILLIAMS: Yes. Are there other  
11 comments on this dicey issue? Anything else around  
12 the table? Okay. Thanks so much for that dialogue.  
13 We want to try to cover one other point before lunch  
14 and it's kind of akin to this one. It's the risk  
15 one. I think this came from Joe as well. He might  
16 want to expound on that one a bit.

17 MR. TOUSSAINT: This is something that we  
18 have over and over from contractors saying let's  
19 share the risk. And depending upon what's happening  
20 in the world risks vary. They can be the risks of  
21 permitting. It's the risk of insurance. It's a risk  
22 of taxes. It's a risk of local workforce

17 (Pages 62 to 65)

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1 productivities and on and on and on.

2 We're just interested in what are you  
3 hearing today in terms of contractors' interests and  
4 what they perceive as the risks and what may be out  
5 there that other owners are using and sharing  
6 techniques for sharing those risks.

7 We don't really share risks as you know.  
8 But we think there's an opportunity to get a better  
9 value, get more bang for the buck if we start to move  
10 towards sharing some risk. It's just what do you  
11 hear, any ideas on that?

12 MR. BERNSTEIN: Just from one particular  
13 perspective, and I'll approach it from the standpoint  
14 of innovation or new techniques, it seems that the  
15 issue comes up quite often without the sharing of  
16 risk there isn't enough of an incentive for  
17 contractors to try something new which may ultimately  
18 improve the quality, expedite the time for delivery,  
19 perhaps even improve on the price because you have  
20 some unknowns coming in there.

21 And I think one of the biggest problems  
22 dealing with government clients is who really is

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1 to get what's readily available and standard. You're  
2 not creating the flexibility or the room for some of  
3 those companies to come in and be fairly innovative  
4 that may benefit you in many ways including cost.

5 GENERAL WILLIAMS: Other comments around  
6 the risk idea? Yes.

7 MR. WOLFF: I think the exact same  
8 discussion -- these are the exact same issues of risk  
9 sharing that we had on leasing. It's what you have  
10 to give up in order to do it and whether you can.

11 GENERAL WILLIAMS: Any other comments on  
12 that one?

13 MR. MINER: General, just as sort of a  
14 follow-up to what Harvey was saying because of the  
15 government's reliance on certifying certain types of  
16 building products or methods, especially in the  
17 security area, the highest cost area, that also  
18 limits the government and the design builder's  
19 opportunities for innovation.

20 We have not found a good way to write  
21 performance requirements that will encourage  
22 exploration of use of R&D and still meet the

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1 controlling the risk. And you get the situation  
2 going down even when government is not involved and  
3 you have a major contractor that is passing on most  
4 of the risk to the subcontractors.

5 So I think, and I'm merely approaching it  
6 from a technological innovation standpoint, that in  
7 the approach that the State Department is trying  
8 right now with its embassies, without considering  
9 sharing of risk in some capacity or in the  
10 arrangement set-up between the prime and the subs  
11 that you're limiting yourself in some cases to the  
12 opportunities that innovation or new approaches may  
13 offer because it hasn't been tried or it hasn't been  
14 done on a large enough scale that it's not going to  
15 be proposed on some of your projects.

16 And yet, right now as you were telling me  
17 earlier, Joe, when you start to look at the various  
18 contractors coming in on the six or so that are out  
19 right now, they're all fairly competitive in that.

20 The question you have to ask is are you  
21 pretty much getting what you're asking for or you  
22 have set certain constraints that you're only going

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1 certification requirements that are embedded in our  
2 processes in time with the accreditation process the  
3 risks just become too great to accept.

4 GENERAL WILLIAMS: Yes, Harvey.

5 MR. BERNSTEIN: Just to build on Bill's  
6 comment there that does bring back the issue in which  
7 we deal with in our innovation centers is dealt with  
8 overseas with a lot of the other centers that get  
9 into accrediting or evaluating new technologies.

10 When you don't have a standard that  
11 currently exists, you have a new product whether that  
12 be in blast protection, infrastructure protection of  
13 any sort, the whole idea is to prequalify or pre-  
14 evaluate the technology.

15 So one way to minimize the risk from the  
16 owner's standpoint is if you decide to set certain  
17 performance criteria that you want on some of your  
18 materials is to go out and -- especially when you're  
19 looking at a number of embassies over a period of  
20 time.

21 You can say you want certain walls and they  
22 will perform in this way. There may not be standards

18 (Pages 66 to 69)

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1 that meet that where you go through a process where  
2 you're going to prequalify or pre-evaluate those  
3 products.

4 We did that for the State of California  
5 when they came in and they talked about retrofitting  
6 bridges for seismic and they hadn't done that before  
7 and there were no standards for that.

8 And we set up an evaluation program to  
9 identify any technology that might fit that  
10 particular performance requirement and did an  
11 evaluation program where we set up guidelines so that  
12 we knew what those product performance requirements  
13 would be and then the State of California adopted it  
14 to use on retrofitting bridges.

15 You could do the same thing on some of the,  
16 let's say, special requirements you may have with  
17 embassy construction where you want to look at new  
18 products, where you want to change some of that by  
19 setting up some program where you're prequalifying or  
20 pre-evaluating certain classes of products for which  
21 there are no standards.

22 And that way you can minimize the risk but

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1 you as a government entity dealing with the host  
2 country government can help the most because often  
3 the permitting, the utility connections are the most  
4 difficult and where clearly the contractor would need  
5 your help and would need your government to  
6 government relationship that you can bring more  
7 clout.

8 MR. BAGCHI: I would like to add there that  
9 my experience has been kind of mixed. The reason I  
10 say that is there are places when our American  
11 contractors hire subcontractors. Usually in most  
12 places they get some of the big boys who know the  
13 business better than anybody else in that country.

14 And I tried to take a view that maybe we  
15 are better off not getting in the business because  
16 some of those big contractors they not only know the  
17 local process they also know who to ask and what to  
18 ask and grease the skids, in other words, to make  
19 that happen. That is one way to look at it. And we  
20 have been successful that way in some places but we  
21 haven't been in some other places depending on what  
22 the political climate is.

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1 at the same time you are then introducing some risk  
2 as the owner into the process where you are now  
3 getting set products for which a standard doesn't  
4 exist but yet you have satisfied yourself that the  
5 requirements are met.

6 GENERAL WILLIAMS: Yes, P.K.

7 MR. BAGCHI: Yeah. We have discussed so  
8 far this point talking about the new technology. I  
9 want to touch on another area where our big risk  
10 lies, which is when the contractor goes to the field  
11 and gets ready to build the project.

12 In a foreign environment we have risks  
13 associated with the taxes. We have risks associated  
14 with the utility hookups. We have risks associated  
15 with permits, different types of permits.

16 And my question is how do you all feel  
17 about sharing risks or leaving the risk with the  
18 contractor? Is the contractor in the best situation  
19 to deal with those situations or should we as owner  
20 take some of those risks?

21 GENERAL WILLIAMS: Yes, Harold.

22 MR. ADAMS: I think this is a place where

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1 GENERAL WILLIAMS: You see we have a bit of  
2 a dilemma here on this, and it's not that we are pro  
3 or con on it. We just want to recognize the fact  
4 that there are some aspects of our particularly  
5 construction execution where risk issues do get on  
6 the table and we totally -- like P.K., our country,  
7 sometimes by region, it's just a nonstarter in some  
8 places and in others it is appropriate to deal with  
9 it in another way.

10 And what we are trying to do is kind of  
11 uniform our signals that we send to the participating  
12 building community because you get sort of branded by  
13 what you do.

14 So we don't want to go in a direction for  
15 someone over here and then deal in a little different  
16 way over here because you know how thin walls are in  
17 our industry, and I know it quite well.

18 So we are trying to be kind of standard and  
19 we know, in some cases, because of the  
20 standardization it probably doesn't -- it's not the  
21 best thing to do.

22 So it is something that bothered us a bit,

19 (Pages 70 to 73)

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1 and P.K. in particular, and Joe and his folk, and we  
2 just want to kind of toss it around a little bit and  
3 see what we could get from you.

4 Well, I think that one of the things that  
5 we do put a lot of effort in here is discipline and  
6 staying on-time. And I think we have done that quite  
7 well. So I'm going to ask Gina once again to explain  
8 to us what we are supposed to do and we'll lunch.

9 MS. PINZINO: Thank you. All of the panel  
10 members and managing directors are invited to follow  
11 Phyllis upstairs to the dining room. And will the  
12 other remaining participants see me and some of the  
13 other management support staff to arrange for the  
14 luncheon facilities here in the building. Thank you.

15 GENERAL WILLIAMS: And we will be back at  
16 what time, Gina?

17 MS. PINZINO: At 1:15. Thank you very  
18 much.

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1 What we would like advice on is how can we  
2 better justify what our needs are and how we can --  
3 how should we be planning our maintenance, the  
4 maintenance money that we need. Greg, have you got  
5 another --

6 MR. KRISANDA: Yeah. I want to highlight  
7 one thing. The word preventive maintenance is kind  
8 of misleading. I think it's more towards maintenance  
9 and repair, the whole gamut of it. Preventive  
10 maintenance is just one aspect.

11 GENERAL WILLIAMS: Any comments around that  
12 issue for us? Yes, Ida.

13 MS. BROOKER: Well, I don't know that there  
14 is a simple answer. I think that it's -- as all the  
15 questions you ask, I think they're very complex.

16 The problem you are running into is that  
17 every facility that you have everywhere is different.  
18 And they are different age, they are different size,  
19 they are different construction, they are different  
20 level of maintenance.

21 And I think that there is -- I don't know  
22 that there's a square footage or a simple formula. I

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1 (Afternoon Session)

2 GENERAL WILLIAMS: Okay. Let's get  
3 started. We are going to have you out on time. You  
4 know we manage it that way. I would like for us to  
5 turn to Number 21 on page two. It's a maintenance-  
6 related issue that we have, and it has to do with  
7 replacement and renovation cycle. I'm not sure  
8 exactly whether Jim wants to speak to the issue or  
9 whether Greg or whatever but can we have some  
10 embellishment on that?

11 MR. ROBERTSON: Well, I'd just say actually  
12 this and some of the other questions if we get to  
13 them on maintenance are all related to the way we  
14 would, how should we be going about trying to justify  
15 the maintenance money we need.

16 General Williams has said many times that  
17 we should be letting our program drive our budget  
18 but, of course, that's not what has traditionally  
19 happened. We have had our budget driving our program  
20 and our budget has been fairly anemic in the  
21 maintenance area as compared with the needs we have  
22 documented.

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1 think that you're going to have to do, slog through  
2 the evaluation of every facility and come up with a  
3 standard that you want and apply it.

4 But I don't know that there is a simple  
5 solution to that because of the variety of the  
6 different elements that you are working with at every  
7 location.

8 You know, if you had your program that  
9 you're instituting now had been instituted 30 years  
10 ago at least you would have some standardization that  
11 you could count on. But unfortunately for you, I  
12 don't know that there is any unless you gentlemen  
13 have a better understanding of how to just do  
14 ballpark numbers.

15 The fact is that you have got all kinds,  
16 all climates and all sizes. And I don't know that  
17 there is a simple, you know, square footage or  
18 anything else.

19 Maybe you have a better idea but the fact  
20 is that you have to evaluate the maintenance programs  
21 or lack thereof that you are encountering by sight  
22 and by construction materials and equipment and those

20 (Pages 74 to 77)

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1 kinds of things and do just a computerized listing  
 2 and come up with the idea of what you want to do as  
 3 far as a maintenance program and then after you have  
 4 figured out that then you can extrapolate that to  
 5 cost.

6 But I think that you're going to have to  
 7 understand what you have got first before you can  
 8 start putting money to it. It's not an easy answer  
 9 but I think that that's what you're going to have to  
 10 do. And I think you're already starting to do that  
 11 anyway. But the fact is that I don't think there is  
 12 a simple solution.

13 GENERAL WILLIAMS: Thanks, Ida. David.

14 MR. READY: I think there are two things.  
 15 The first is you need to establish to me what the  
 16 difference between maintenance repair related to  
 17 changes in function, changes in tenant demand, if you  
 18 will, as opposed to maintenance to keep systems  
 19 operating at optimum efficiency or at some particular  
 20 level in the case of biofilters or security kind of  
 21 systems, state-of-the-art stuff.

22 So if you're talking about changes in

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1 willing to live with. That's at the end of the day  
 2 the real cost of keeping that system functioning.

3 GENERAL WILLIAMS: Greg, anything else to  
 4 add to that?

5 MR. KRISANDA: In ways we are trying to  
 6 approach little pieces of this. Also, one of the  
 7 pieces is understanding what our problems are  
 8 overseas in the maintenance of our buildings.

9 One of the things we are trying to collect  
 10 is the maintenance information, the computerized  
 11 maintenance management information, the work orders,  
 12 failure rates, system downtimes, system uptimes, so  
 13 we can start getting a better handle on really how  
 14 well we are operating.

15 And also then looking at the criticality of  
 16 those systems and how you're going to actually  
 17 maintain those systems because some of the strategy  
 18 is you don't maybe want to do preventive -- you may  
 19 not want to do other types of maintenance. You may  
 20 want to run to failure in certain systems because  
 21 they are not the most critical of those.

22 So some of it is just trying to package it

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1 tenant demand relating into changes that are  
 2 currently classified as maintenance repair, you know,  
 3 moving walls, those kind of things, then you have to,  
 4 you have got to go in and look at what you're history  
 5 has been.

6 What is typical for your tenant mix? Is  
 7 every five years, every three years are they moving  
 8 things around? Unfortunately, you've got to go back  
 9 and do the research and look at your tenant mix and  
 10 then do some projection based on those costs.

11 On the other, it seems to me if you want to  
 12 get a quick idea about what costs if you want  
 13 somebody to give you an estimate on maintaining your  
 14 major systems put a package together and say operate  
 15 and provide a turnkey maintenance bid, and take  
 16 proposals and see where your costs are and use those  
 17 as baseline and let some of those costs, and see  
 18 whether they are competitive in terms of long-term  
 19 performance.

20 That's the way you get to the bottom line,  
 21 if somebody is willing to step to the table and  
 22 maintain it and give you a price that they are

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1 now and try to understand what is occurring overseas.  
 2 Is the communication center critical? Well, if it's  
 3 critical, what is it going to take -- what do you  
 4 need to do to maintain that criticality?

5 Well, this unit may not be critical.  
 6 There's ways to keep your building functioning. As  
 7 long as you deliver the function and the service to  
 8 your tenants or customers then it's fine. If it does  
 9 go down what level do we bring it back up at?

10 So we are trying to assess that now and  
 11 come up with a strategy and a dollar amount but it  
 12 takes some time to get there. In the past the thing  
 13 was the big picture. We had so many different  
 14 systems, so many different places but we just didn't  
 15 have the information until we started piecing this  
 16 together.

17 GENERAL WILLIAMS: Yes, Harvey.

18 MR. BERNSTEIN: I was wondering looking  
 19 forward under the new approach you're taking have you  
 20 begun to lay predictability models in areas where you  
 21 want to gather that data so you can see how your  
 22 designs and where you're going are performing.

21 (Pages 78 to 81)

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1 So even though it's very hard to go back on  
2 a lot of that information you're really in a unique  
3 position of beginning to set some of that criteria  
4 going forward.

5 And you can use a number of the experts in  
6 the field to establish some of the key criteria and  
7 some of the lessons learned from some of the other  
8 embassies where you do have data.

9 But even though you may have an inability  
10 to, let's say, predict some of these things on the  
11 existing embassies you can use some of the lessons  
12 learned from that, some of that data, set up  
13 predictability models looking forward on the designs  
14 you are doing now so you are in a better position to  
15 budget and deal with it going forward. So I was just  
16 curious how forward oriented are you going with this  
17 process?

18 MR. KRISANDA: Well, we adopted the  
19 reliability-centered maintenance philosophy towards -  
20 - for the management of facilities. And what we  
21 looked at in the design of the building is we looked  
22 at them from the post-perspective. We look at it in

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1 through commissioning, and then on to own it.

2 MR. BERNSTEIN: And you're doing that both  
3 on the physical structure as well as the operating  
4 systems?

5 MR. KRISANDA: Yes.

6 GENERAL WILLIAMS: Yes, P.K.

7 MR. BAGCHI: Adding to what David was  
8 saying, there is something we are trying to do in  
9 coordination with Greg's office, that is develop the  
10 specification for maintenance of a facility. At  
11 least, we haven't done that yet but we are trying to  
12 include that in one of our projects.

13 Maybe you know on a typical NOB project  
14 we'll include the design-build and maintain by that.  
15 So you've got a design responsibility, the RCM  
16 responsibility and taking all that into account also  
17 the same company having the responsibility to  
18 maintain. Now, that may give us some feel for the  
19 cost. But we haven't done that yet.

20 MR. KRISANDA: Well cost and the associated  
21 staffing related to the maintenance of the building.

22 GENERAL WILLIAMS: I think you can see from

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1 terms of how the building will fail and the  
2 criticality and probability of that failure and work  
3 backwards.

4 We don't look from designing it from, you  
5 know, we've got this function, design this. We look  
6 back and say if something's going to fail what is the  
7 impact and what can we do to eliminate or minimize  
8 that impact.

9 And it could be is there a maintenance  
10 process? Is there another technology out there? For  
11 instance, we introduced tomography and vibration and  
12 other technologies into our field.

13 Maybe it's a run to fail but maybe it's a  
14 design issue. Maybe there's better specifications,  
15 better -- maybe there's another way to design this to  
16 reduce it.

17 You start this at the planning phase not  
18 when we're delivering it. A lot of times it used to  
19 be delivery then maintenance takes over. We have  
20 moved this back into the planning stage because  
21 that's when you have got the opportunity to make  
22 changes. If you run it through the whole system,

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1 a lot of our concerns and issues today that we are  
2 trying to carve the path forward. We are kind of  
3 over the foundational work, and as you have so kindly  
4 said to us today, looking back doesn't serve us a lot  
5 because we don't have a good clear base, a  
6 programmatic base to work from.

7 But what we are trying to do now is to  
8 recognize and think as managers should be doing about  
9 how to have a better path forward. So all of these  
10 question and issues that we're dealing with now, as  
11 Harvey just gleaned, is looking quite frankly in the  
12 future. That's where Greg is.

13 We are just kind of putting these things  
14 out here, testing and using you as a sounding board  
15 to make certain that we're not going down a path that  
16 does not get us anywhere. So that's where we are.

17 Moving on now, on the same page, to Number  
18 15, I would like for Mattie or Joe or someone to  
19 explain in a little bit more detail about our issue  
20 around specifications, procurement and installation  
21 of furniture and how that should or should not be  
22 included in the construction base of a contract.

22 (Pages 82 to 85)

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1 MS. MATZEN: We haven't as a matter of rule  
2 been including furniture in the construction  
3 contracts. We have actually been within in-house  
4 resources separate of our A/E contract, specifying  
5 the furniture, procuring it using government  
6 resources, doing our own secure shipments and regular  
7 shipments, our own tracking, doing our own receiving  
8 overseas shipments and then installation with cleared  
9 American contractors.

10 We, of course, are having some problems  
11 because at the end of any project you always end up  
12 with all of the trades vying for the same resources  
13 to get stairs, elevators and so on and get the  
14 building finished.

15 So the question is should we continue to  
16 try and do it the way that we are? We have done a  
17 lot of analysis of it and one of our vendors say  
18 that, in fact, they don't want to sell to  
19 construction contractors, that they find that  
20 construction contractors aren't allowed to bill back  
21 the client to get reimbursed for the furniture until  
22 it has been installed and the client has taken

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1 to maintain that kind of procurement activity.

2 But you are right, the congestion at the  
3 end of the project when you are trying to get all the  
4 computers in and the floors in and the furniture in  
5 and everything else in it is a very tight schedule  
6 and restricted in space for elevators, et cetera.

7 But the fact is that the maintenance of  
8 that equipment, that furniture, and the usage of that  
9 furniture is generally an owner item rather than a  
10 contractor item.

11 And for us, while we also require the  
12 contractor to coordinate but not to procure. And we  
13 just put that in there as an owner-furnished item but  
14 that we ask the contractor to coordinate that  
15 installation.

16 MR. TOUSSAINT: May I pick up on that, IDA?

17 MS. MATZEN: This is one of his favorite  
18 topics.

19 MR. TOUSSAINT: We would be interested in  
20 seeing what kind of specifications you include for  
21 the contractor that would force or cause that  
22 coordination. If you have anything it would help us

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1 delivery. So they are not anxious to have us do a  
2 shift here.

3 We are concerned that maybe the government  
4 will end up having to pay more money for the  
5 furniture because of the liabilities to the vendors  
6 to make the sales. We would like very much for you  
7 to tell us what you're thinking about this because we  
8 like to make some shifts, to make some changes if  
9 that would be an appropriate thing for us to be  
10 thinking about.

11 GENERAL WILLIAMS: You can see the homework  
12 is getting a little tougher. Yes, Ida.

13 MS. BROOKER: I seem to have an awful lot  
14 to contribute today but one of the things that you  
15 need to consider is who has got the buying power and  
16 one of the things that we look at is when we have  
17 large procurement issues involved who buys it the  
18 most, the contractor or the company?

19 And we have look at furniture. We have  
20 looked at large cranes. We have looked at certain  
21 large pieces, and when we have become the bigger  
22 customer of that product it tends to be better for us

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1 because we don't highlight that at the current time.

2 And we say in a more general sense but  
3 maybe what we need to do if we're going to continue  
4 as we're doing is to put more attention into the  
5 coordination responsibilities of both parties.

6 MS. BROOKER: One of our -- I'm not sure if  
7 I should say this is not. One of the biggest  
8 problems we have with that whole issue is that the  
9 installers for that product are non-union and our  
10 contractors tend to be union. And it tends to be a  
11 huge problem.

12 And that is one of the -- and it depends on  
13 whether it is fishing season, hunting season or  
14 whether or not we have a strike on our hands. So  
15 it's been very, very predictable that when -- if the  
16 furniture installers show up anywhere close to the  
17 start of one of those seasons that there can be a  
18 walkout.

19 But the fact is that they are usually a  
20 factory-certified installer and generally they are  
21 not union and so the fact is that the contractor does  
22 have a hard time with that if you give him the direct

23 (Pages 86 to 89)



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1 responsibility for that product. So that's another  
2 reason why we make it an owner-provided procurement.  
3 But the fact is that what we do is we put  
4 in the contract several things that are owner-  
5 provided materials and sometimes we also put in there  
6 that they are also owner installed and that the  
7 coordination is required by the contractor.

8 MS. MATZEN: Sometimes we ship to the  
9 contractor. We have actually done the procurement  
10 because we get incredibly good discounts. You can  
11 imagine, the best there are.

12 And so we sometimes have procured  
13 ourselves, shipped to the contractor and then have  
14 them do all of the overseas shipment, do the secured  
15 logistics for us and do the installation.

16 I think P.K. said that in the Moscow  
17 project they were installing furniture for the last  
18 six months of the life of the project. And, you  
19 know, it's really -- I don't know what the right  
20 answer is. I know that our guys are even some of  
21 them top-secret clearances but sometimes when they  
22 are on site they can be problematic, too.

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1 products even and they have all said they'd like to  
2 keep the furniture their own right because it gives  
3 them the greatest flexibility all the way up until  
4 the last minute to sort of accommodate the client.  
5 And because we keep ownership of it we know where  
6 everyone sits, what everyone does. It gives us more  
7 utility that way.

8 GENERAL WILLIAMS: P.K., were you going to  
9 say anything else?

10 MR. BAGCHI: I agree with what Ida said  
11 because I have seen that in the private industry  
12 where the owner of the facility usually provides the  
13 furniture, but usually that happens -- what I have  
14 seen is you get the contractor out of the way and  
15 then because the furniture is something you want to  
16 install in a clean environment and not probably in  
17 the middle of construction and everything. And so  
18 that tends to take a certain amount of time to do  
19 that furniture installation, and that time is  
20 accounted for.

21 As we try to compress our commissioning  
22 effort, you know, this is an area we're trying to do

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1 GENERAL WILLIAMS: Yes, Jeff.

2 MR. BEARD: Our design-builders who do  
3 schools around the country, public schools, private  
4 schools, charter schools, they typically say whoever  
5 is going to operate the building should be the one  
6 that handles the furniture contract.

7 We were just asked by the California  
8 Department of General Services that has a new  
9 design-build bill for K through 12 schools to come  
10 up, for DBIA to come up with a design-build-operate  
11 contract where the term of operation would be two to  
12 five years. Short-term operation.

13 And then the design-build-operate  
14 contractor would do the furniture. But if they're  
15 just doing design-build they'll do the built-in  
16 casework but most of the design-builders then want to  
17 be away from that contract, unless, of course, you  
18 want to stipulate that they build -- coordinate that  
19 construction and design all the way through  
20 commissioning.

21 MS. MATZEN: Well, actually I have stumped  
22 the ID with this question and I've asked Cisco

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1 -- we're trying to reduce the commissioning period.  
2 And we have typically in an embassy anywhere from six  
3 to ten government teams, a lot of government-  
4 installed items.

5 And if we have to wait for the contractor  
6 to finish the space and then these folks,  
7 particularly the furniture because the furniture  
8 needs to be done in a clean environment otherwise  
9 it's problematic, and then we run into what Mattie  
10 was talking about because competing for the space,  
11 competing for the hallways and the garbage removal  
12 and removal and all these things, and then the  
13 coordination with the contractor, the contractor  
14 making the space actually available for furniture  
15 installation, those things become problematic.

16 GENERAL WILLIAMS: See, Ida -- and for the  
17 rest of the members, the overarching issue that this  
18 is a derivative of is a commissioning period that was  
19 sort of in place for many years like five months or  
20 something. The project is finished; the contractor  
21 is gone, and then we would take another five months  
22 to do that.

24 (Pages 90 to 93)

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1 And obviously having just left the private  
2 sector I could imagine how long I would have been  
3 employed if that would have happened. So what we  
4 asked our people to do here, which P.K. has picked  
5 up, but it is stressing an organization that has been  
6 locked into some traditional way of doing things.  
7 Mattie's job happened to be one of those.

8 So we are looking for -- I know you buy the  
9 five months. We've just reduced that to 60 days and  
10 we have got this collection of dysfunctional issues  
11 that is associated with making that 60-day period  
12 work. Now, we have to make it work. But that's the  
13 overarching issue that Mattie's issue is a derivative  
14 of.

15 MS. BROOKER: You are also not going to be  
16 able to separate as much in the future as you have in  
17 the past the difference between when a project is  
18 done and when you start installing because anymore  
19 the installation is going to be connected, because  
20 electrically, computers, everything else.

21 So the fact is you can't wait for the  
22 contractor to be done before you start installing

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1 So I agree with that, but the fact is  
2 usually the owner is the one operating the facility.  
3 Therefore, they are the ones that are going to have  
4 to be responsible for the functionality of whatever  
5 they buy.

6 GENERAL WILLIAMS: Joel. Thanks, Ida.

7 MR. ZINGESER: I guess the thing that I'm  
8 seeing as an issue, the simplistic approach would be  
9 you've got the buying power. You buy the goods. You  
10 deliver them to the prime contractor.

11 You make it their scope to deal with the  
12 FF&E, which is, you know, like a hotel or any other  
13 kind of structure like that where the contractor,  
14 it's a big bulk of the critical path is getting all  
15 the FF&E in.

16 But what I heard was you got six to ten  
17 contractors that are doing special things for you  
18 already. So you have got a tail on the elephant  
19 here. I mean, you should definitely buy what you can  
20 buy and use your buying power to buy it and deliver  
21 it to either your own installer or the prime  
22 contractor. But it sounds to me like all those other

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1 that because you have got to install the wiring and  
2 everything else. So it's going to have to be part of  
3 the overlapping schedule between while the contractor  
4 is still there.

5 But it still goes back to who's got the  
6 buying power, and the fact is the contractor does not  
7 have the buying power for furniture. He just doesn't  
8 buy enough of it.

9 And you have standards that you have and  
10 therefore you have got the buying power. So that's  
11 where -- besides the fact that your supplier -- I  
12 don't care particularly what the suppliers say  
13 because it's going to be to your convenience and to  
14 your advantage but the fact is that you have more  
15 procurement from that supplier than the contractor  
16 does. Therefore you can drive a better price.

17 And so that's where -- and then I agree  
18 with the operating issue. If you're going to hire a  
19 building built and operated then the person who is  
20 going to be operating is the one that needs to be  
21 responsible for that because of warranty issues and  
22 those kinds of things.

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1 folks doing all their things are as much a part of  
2 the problem if not more. And they ain't going away.

3 GENERAL WILLIAMS: So we have our problem  
4 to deal with but we appreciate your candor and to the  
5 point. Let me link one other aspect of this,  
6 Mattie's world, to this. How do you see the role of  
7 the interior designer, you AIA people, and see I know  
8 where the rub is, and space planning on the team for  
9 new construction projects?

10 You see, one of the ideas of having a  
11 family thing you can really talk about the issues you  
12 need to talk about. And this is one that is causing  
13 some stress for us as to where this group of  
14 expertise fit in the grand scheme of planning and  
15 sorting things out. Now I don't need Harold and Jeff  
16 and everybody speaking at the same time, just one at  
17 a time.

18 MR. TOUSSAINT: May I answer that, General,  
19 because blames me for these questions and she's  
20 absolutely right.

21 MR. ZINGESER: What number item is this?

22 MR. TOUSSAINT: Number 14.

25 (Pages 94 to 97)

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1 MR. ZINGESER: Fourteen.

2 MR. TOUSSAINT: There's another dimension to  
3 this and that is we hire a design firm to design a  
4 building, okay? That design firm then will have an  
5 interior designer or interior design portion or  
6 something like that. And we're not sure that that's  
7 always the best way to go about it in the sense of  
8 does that person have the proper seat at the table,  
9 quote, unquote, proper seat at the table, or are they  
10 just sort of tagging along in the shadow of the  
11 architect? I'm not an architect so I can say that.

12 And so, I mean, if you look at today's  
13 world this is what it's about. This is the stuff  
14 that tells you whether your room is working as a  
15 conference room or whether, you know, lighting is  
16 good to have, too. But that can be task lighting so  
17 the interior -- the thrust behind this is are we  
18 doing it the right way? Are we recognizing the right  
19 role?

20 Is there more to it than the way we're  
21 doing it? Should we be looking at different ways of  
22 acquiring, procuring these services than we are now?

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1 GENERAL WILLIAMS: Harold is chomping at  
2 the bit.

3 MR. ADAMS: Well, I personally believe it's  
4 very integral and this little battle that goes on  
5 between the American Institute of Architects and the  
6 interior designers, the fact is that most  
7 architectural firms are interior design firms and do  
8 a great deal of work in interior design.

9 And many of us think that this is an issue  
10 that shouldn't be an issue. It is totally integral  
11 and certainly a major part of how we operate and most  
12 of the people that we compete with operate.

13 We have had clients, client types, hotels,  
14 some of the major hotel companies have in the past  
15 had a philosophy of the architect will not be the  
16 same, will not be the interior designer, that we want  
17 to have a separate interior designer for some of the  
18 reasons that you have just outlined.

19 But there is an interesting change of  
20 thought there and the reason is that if they are not  
21 working together and maybe the architectural firm  
22 should be encouraged to have the interior design as a

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1 separate organization that they hire.

2 But if they are not working in an  
3 integrated way the owner ends up with conflicts when  
4 the project is being built and that you get a  
5 facility that doesn't incorporate the ceiling plans.  
6 And you have a virtually a throwaway ceiling plans or  
7 a throwaway furnishing plan.

8 So they need to be integrated. They need  
9 to be integrated into the whole bid package and very  
10 much a part of the same team whether they be all  
11 under one umbrella or another.

12 I have had major hotel companies now tell  
13 me we want it all in the same house or under one team  
14 because if it's not costs are going to eat us alive  
15 with the interior coming in later, things having to  
16 be changed, many times significant changes.

17 And so I think that there is a swing, you  
18 know, these trends go in one direction and then they  
19 swing back. And I think now it's all because of the  
20 tremendous costs involved if you don't have your two  
21 organizations working together and the way systems  
22 are being used, system furniture et cetera, it's

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1 just got to be integrated right into the core of the  
2 design. It comes down to base spacing, structural  
3 spacing, everything.

4 GENERAL WILLIAMS: Harold, I appreciate  
5 your comments because this kind of validates some  
6 decisions we made maybe 15 months ago which at that  
7 time was a little fuzzy to some parts of the  
8 organization as to why we were doing it.

9 Our interior furnishing, which has our  
10 design -- interior design mechanism in it, o skill  
11 set in it, was once distant from the whole design,  
12 engineering, execution, construction world. They  
13 were in another management area.

14 So one of the things that we did was, and  
15 Joel supported this, was to move that division lock  
16 stock and barrel where it should be, because I saw  
17 the same thing that you saw and to force this  
18 integration so that they would be there for Bil  
19 Miner, be there to answer P.K.'s questions and  
20 working for the same manager of execution.

21 So organizationally we are right. Where we  
22 still have got some little rough spots is to get that

26 (Pages 98 to 101)

<p style="text-align: right;">Page 102</p> <p>1 full integration in place. And that's what we are  2 kind of groping with because the debate is about  3 roles and all that which you say shouldn't, and I  4 agree with you, shouldn't be issues. Jeff.  5 MR. BEARD: If the interior design  6 component is of such importance to you as an owner at  7 the end of the day, and you can put that in your  8 programming document, you can say on your selection  9 criteria that this is one of the top five.  10 And there is a way traditional design-bid-  11 build set up everything in kind of a feudal order  12 from the top down. And architects did lead the  13 design team and the interior designers were somewhere  14 down here. Design-build, if it's done properly,  15 there's a way for the owner to be here, and then on  16 the bar above the owner all the disciplines are  17 side-by-side in that collaborative environment  18 delivering it to you.  19 So both the programming and the selection  20 criteria, if you call that out, Harold is going to  21 lead with his great interior design team.  22 GENERAL WILLIAMS: That's good. That's a</p>	<p style="text-align: right;">Page 104</p> <p>1 field, which is both a long-term issue and a first  2 installation issue, I want to just say one thing  3 about the cost of ownership.  4 I served on both National Academy of  5 Sciences committees on the cost of ownership and at  6 that time we put 2 to 4 percent on the table. And it  7 was current plant replacement value rather than  8 current plant value in terms of what you could dump  9 it on the market for.  10 And there was between the 2 and the 4  11 percent, although almost all federal facilities are  12 spending less than 1.5 percent, but between the 2 and  13 4 percent the range was determined one, by churn,  14 which was mentioned, but also by the complexity of  15 the building in terms of its technologies especially,  16 which is getting more complex certainly in the State  17 Department.  18 The hours of operations, the criticality of  19 the function in the building, the age of the  20 building, the quality, historic value of the  21 building, and so there were a number of criteria you  22 could actually put on a page and set up some sort of</p>
<p style="text-align: right;">Page 103</p> <p>1 good point. Okay. Let's move to another area. This  2 one is not on the page but we have some visitors and  3 one of the visitors has had a dialogue with me and  4 with our organization over the year. She's from  5 Carnegie Mellon, and you heard her this morning.  6 And I have asked Vivian to put on the table  7 one of the issues that we have had some discussion  8 about. And since this is our sounding board and our  9 technical advisory arm of our organization I would  10 just like you to hear what she has in mind. It's  11 something to do with intelligent buildings and get  12 your feedback. Vivian.  13 MS. LOFTNESS: I'm going to come to a mic  14 just for the court reporter.  15 GENERAL WILLIAMS: Sure, by all means.  16 MS. LOFTNESS: I don't want to crash the  17 party here.  18 GENERAL WILLIAMS: No, no, no. You might  19 end up being a part of this party.  20 MS. LOFTNESS: Just in terms of building on  21 something that has been discussed, under maintenance  22 if you retitle that the performance of systems in the</p>	<p style="text-align: right;">Page 105</p> <p>1 a range.  2 We also attempted to put a manpower item on  3 the table in those National Academy committees, and  4 it turned out when you cull the information it's  5 somewhere between one person per 18,000 square feet  6 all the way up to one person per 80,000 square feet  7 looking at both public and private sector  8 investments. It's probably much higher than that now  9 in terms of the manpower since we try to cut costs by  10 reducing staff.  11 So, having said that, part of the reason  12 maintenance is so critical is that the systems that  13 are delivered to buildings in our work time on  14 intelligent building design, the systems are a series  15 of products manufactured by completely different  16 industries. And when they arrive on site they often  17 do not plug and play.  18 And it's a little bit like receiving the  19 early IBMs where the IBM processor wouldn't talk to  20 the printer or even the screen and you were basically  21 for weeks trying to figure out how to get these  22 things to work.</p>

<p style="text-align: right;">Page 106</p> <p>1 One of the things we feel is critically  2 needed in the building sector, and we think that  3 major buyers like the State Department and GSA and  4 others could be a catalyst in changing, is we think  5 it's time for the industry to deliver plug and play  6 products.  7 And the simplest analogy would be a  8 lighting system. The manufacturer of the lamp is not  9 the manufacturer of the wiring, is not the  10 manufacturer of the ballast, is not the manufacturer  11 of the controller. And the fixture and the lamp  12 themselves are manufactured by different people.  13 So ultimately when you get it in the field  14 you find that the controller doesn't control the  15 ballast that you thought it was going to be and the  16 EMCS system doesn't talk to the local controller.  17 And you plug it all together and you've got  18 a commissioning problem. You have to send people out  19 in the field to figure out how to get the switch or  20 the automated control system to actually make that  21 ballast respond.  22 There is no reason why the biggest</p>	<p style="text-align: right;">Page 108</p> <p>1 everywhere.  2 So I guess to sort of try to put a question  3 on the table, what is the viability of the State  4 Department, and possibly in concert with some of the  5 other federal agencies, actually pushing industry to  6 develop robust, tested, like a car, integrated  7 strategies that could be manufactured in the U.S.,  8 high performance, lower cost, shipped and plugged  9 together to really perform?  10 GENERAL WILLIAMS: Okay, you have heard the  11 question. Joel.  12 MR. ZINGESER: I have a question. What is  13 BACnet all about if it is not this?  14 MS. LOFTNESS: Well, BACnet is really just  15 the protocol for the control systems to talk to other  16 control systems but it doesn't actually guarantee  17 that the ballast will fit in the fixture that you  18 have ordered from two different companies.  19 It doesn't determine that the lamp that is  20 put into that fixture is the right shape of lamp to  21 get the light distribution that the fixture is  22 designed for.</p>
<p style="text-align: right;">Page 107</p> <p>1 profiteer in that chain couldn't be held responsible  2 for delivering an integrated product from those  3 manufacturers. We tried to convince Lutron, who now  4 manufactures ballasts and controllers and EMCS  5 software, and they are now doing blinds, to take  6 responsibility for fixture and lamp, which is the  7 last two pieces of the puzzle. And they basically  8 said, well, there's no precedent in this.  9 And ultimately the clients are going to be  10 the ones, big clients are going to be the ones that  11 say we're not going to accept it any other way.  12 We think the advantage to trying to  13 leverage, and this is true for plug and play,  14 networking, trying to get data-power-voice out to the  15 desk is a plug and play infrastructure from the box  16 to the harnesses to the satellite closets to the  17 central UPS.  18 It's true for HVAC. In fact, the HVAC is  19 the worst of all. I mean, the number of deliveries  20 of pieces and parts and the failures between them,  21 between the pieces and parts, is so high that thermal  22 and air quality dissatisfaction are prevalent</p>	<p style="text-align: right;">Page 109</p> <p>1 In other words, BACnet is a software  2 protocol simply to make two different control  3 companies -- and by the way it doesn't succeed at  4 doing that -- we can have a Johnson Controls energy  5 management system with a McQuay controller in a heat  6 pump that fight each other so that you don't know who  7 is turning on the heat pump and who's turning off the  8 heat pump. And it's the unscrambling of that open  9 protocol dialogue is a year's worth of a good  10 engineer's life to figure out how to make them talk.  11 MR. ZINGESER: Well, again, I'm not an  12 expert at this but I -- by any stretch of the  13 imagination -- but I was, I guess, misguided. I  14 thought that that exists; it's a commercial system.  15 It's in existence and at least one major GSA  16 facility, and I think others, and that there's a  17 program to BACnet to a next level which involves fire  18 systems, security systems and other integration.  19 So I guess my question is, because I don't  20 have the information, is I thought that somebody was  21 working on this within the government already.  22 MS. LOFTNESS: I don't know. Maybe there's</p>

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1 someone else around the table that wants to address  
2 this? BACnet is a software infrastructure. And it  
3 still doesn't solve the hardware to hardware  
4 problems.

5 And in some respects it doesn't really  
6 solve the hardware to software to hardware problems  
7 because, yes, they all have open protocols that  
8 dialogue with BACnet but it takes someone who has a  
9 Ph.D. in Software Engineering who also understands  
10 mechanical and electrical systems to solve the  
11 subroutine that actually says, okay, now I want a  
12 Johnson Control system to override the McQuay system  
13 in the following if/then statements but not override  
14 the McQuay system in the next set.

15 And so ultimately what we're saying is that  
16 if Johnson controls, for instance, wanted to take  
17 leadership because the control system is the biggest  
18 investment for the mechanical, they would then  
19 assemble the products, make them robust and deliver  
20 them in a working fashion to absorb change in the  
21 field so that you can increase density and change  
22 configurations and rezone your mechanical when sizes

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1 But perhaps that would better be applied  
2 by, as they did years ago with the peach book,  
3 through GSA doing a pilot project rather than trying  
4 to do it oversees with an embassy, just off the top  
5 of my head from a business practicality standpoint.

6 MS. LOFTNESS: Can I say one thing to that?

7 GENERAL WILLIAMS: Yes.

8 MS. LOFTNESS: I think that's a well taken  
9 point. I think the intention would not be to  
10 integrate entire systems for entire buildings but to  
11 actually modularize floor by floor or small working  
12 groups systems.

13 And there is one example of a really  
14 successful strategy in the private sector. The Sari  
15 Development Company in Paris, which has built  
16 probably a quarter of La Defense, joint ventured with  
17 Carrier France to develop an infrastructure system in  
18 Paris that they do on a floor-by-floor basis.

19 They put a fan coil unit for every human in  
20 the building, so you'll walk into a building and  
21 there will be 2000 fan coil units. Each of those fan  
22 coil units is completely prototyped and tested but

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1 of groups change. So there is a real -- there is  
2 still a flaw in the hardware to hardware problem that  
3 BACnet cannot resolve.

4 GENERAL WILLIAMS: Yes, Jeff.

5 MR. BEARD: The idea of procuring entire  
6 systems is a brilliant one and you have done some  
7 absolutely pioneering work there at Carnegie Mellon.  
8 I applaud you for it. But we at DBIA, I mean, I'm  
9 talking about the supply-side now, tried to get the  
10 Construction Specifications Institute to simply  
11 migrate from 16-divisions spec to uniformat so we  
12 could at least have the industry thinking of systems.

13 They refused to do so. They will not  
14 embrace it. So the supply-side continues to be a  
15 problem. In fact, CSI is now talking about 40  
16 divisions instead of 16. That's further  
17 fragmentation.

18 But I think your concept of having a  
19 demand-driven requirement for performance-based  
20 systems and facilities is very sound. It's a good  
21 one. That's what's going to help the industry,  
22 including the manufacturing industry, to change.

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1 they have done the installation of the fan coil, the  
2 diagnostic -- the controller, the diagnostic unit,  
3 the actual plug and play piping to get the water to  
4 each of these fan coils, the air -- plug and play air  
5 system to bring the air to the fan coil.

6 The vertical risers are precut because Sari  
7 knows exactly what their floor-to-floor structural  
8 dimensions are. And Carrier has since then developed  
9 modular control parts.

10 I mean, they have really gone to a whole  
11 system but they started with what was a very simple  
12 piece and over the last 20 years they continue to  
13 refine the system. It is the most elegant system I  
14 have ever seen installed for mechanical -- delivery  
15 of mechanical thermal comfort and air quality at a  
16 very cost competitive, almost no maintenance in the  
17 field.

18 If there's a fan coil that fails they pull  
19 it off the rack and they ship it back to Carrier and  
20 say, fix this. They had five in the basement; they  
21 plug another on in.

22 So there a private developer basically said

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<p style="text-align: right;">Page 114</p> <p>1 we can make this work and Carrier, because they have  2 been working with Sari for 20 years, has slowly  3 gotten rid of all the dampers that fail. They don't  4 buy certain manufactured parts anymore because they  5 didn't last out the first five years. And so there  6 has been a refinement where you really know you're  7 getting high performance products.  8 So a single point of responsibility  9 delivering in a modular fashion, maybe not all  10 integrated in the whole building which could be a  11 real --  12 MR. BEARD: So in the MEP area and the  13 roofing area, which are your two highest maintenance  14 areas, maybe this is an area to --  15 MS. LOFTNESS: Just a thought for  16 discussion.  17 GENERAL WILLIAMS: Anything else?  18 MR. BLUNK: Yes, General. One question is  19 one of the initiatives I've been seeing out in  20 industry is going away from proprietary systems to  21 virtual off-the-shelf.  22 This obviously sounds like it would be</p>	<p style="text-align: right;">Page 116</p> <p>1 with multiple vendors but you really do the hardware  2 to hardware problem.  3 MR. ZINGESER: Again, I'm not a -- I once  4 upon a time worked at NIST and I don't work there  5 anymore, so I'm not selling a NIST program, but it  6 seemed to me that that program made sense in the  7 context of being an open protocol for the various  8 hardware manufacturers whether it be HVAC or  9 electrical, communications systems.  10 But the concept of bringing the producers  11 together to agree on a way to communicate and achieve  12 the goal, because your goal is absolutely correct.  13 There's no question about. Why would you want things  14 not to work together. So my question is really, I  15 guess it's a simple one, is why here and why now?  16 Isn't BACnet the place where this is sort of being  17 worked on or should be worked on?  18 MS. LOFTNESS: Well, I think why here and  19 now, I mean, the complexity of the State Department  20 buildings is going up. Security being a major issue,  21 chem/bio another major area of discussion, and the  22 kinds of impact that's having on the mechanical</p>
<p style="text-align: right;">Page 115</p> <p>1 proprietary systems for Carrier, which require  2 everybody to have a Carrier system, which takes out  3 everybody else in the industry who is willing to  4 support, but they can't, these type of systems.  5 But you bring in proprietary then we have  6 to deal versus proprietary, commercial off the shelf,  7 now we have a cost factor that with proprietary you  8 buy from me and if these people don't want to partner  9 with me well, then it's too bad. I'm still the  10 proprietary.  11 I mean, it sounds like a great system but I  12 think for its actual -- to do it you would have to  13 have more than just one person out there to be able  14 to support that system initially. It's great -- I  15 mean, there's great research there but on the  16 turnaround side right now the infrastructure  17 currently in the United States, I don't think that  18 actual physical support work for proprietary system  19 like that --  20 MS. LOFTNESS: And maybe it has to follow  21 the path of BACnet which is you take the  22 responsibility to integrate in multiple plug and play</p>	<p style="text-align: right;">Page 117</p> <p>1 system design as well as the control system design.  2 These are going to get worse before they  3 get better, and I think the argument here is that you  4 need to get rather than more patched-on hardware that  5 is supposed to supersede the previous hardware -- the  6 BACnet really is a software communication tool. It  7 is not a guarantee of hardware to hardware  8 compatibility.  9 And I think there is a need actually to be  10 sure that when the things are sent out in the field,  11 especially at high-cost, that they actually work  12 together.  13 MR. ZINGESER: At the risk of turning into  14 a dialogue, I would say that my advice to the general  15 and his staff is they don't need an RD&amp;D program at  16 this point in time. I think they have got execution  17 problem.  18 But that doesn't mean what you are talking  19 about isn't absolutely essential and of value. My  20 only question is why here and why now?  21 MS. LOFTNESS: You might be able to  22 circumvent the RD&amp;D program by the way in which you</p>

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1 work with the manufacturers where you essentially put  
2 the onus on the manufacturer and you do have to  
3 address the issue of --

4 GENERAL WILLIAMS: Well, we run into the  
5 question back here head-on. Harold had a comment. I  
6 want to give everybody an opportunity.

7 MR. ADAMS: Mine is just a similar one in  
8 that we all know the problems that we live with,  
9 whether you are an architect and an engineering firm  
10 being blamed for all the problems, or you are the  
11 contractor who is also being blamed, or a user that  
12 is frustrated.

13 There was talk a few years ago that major  
14 organizations were going to change the whole method  
15 of selling of product. Rather than selling an air-  
16 conditioning unit that they would sell air. And the  
17 carpet manufacturers would just sell you the use of  
18 the carpet. How many years do you want to have nice  
19 carpet? And they would be responsible for  
20 maintaining it, taking it back, recycling it, you're  
21 just buying, you're renting the use of a product.

22 But we are still in such a fragmented

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1 MR. TOUSSAINT: I think that it really  
2 doesn't take any embellishment. Again, the question  
3 is we have materials, like shipping materials to an  
4 overseas site. That's on the critical path of every  
5 project we have.

6 We add to that a complication of handling a  
7 certain number of those materials in a special way.  
8 And then we have all different versions within the  
9 government of what's the right way to do that. But  
10 what do you know about other agencies or other  
11 companies or airlines or whatever about handling  
12 materials so that they're controlled and they are not  
13 tampered with? What's the latest thinking on that?

14 GENERAL WILLIAMS: Yes, David.

15 MR. READY: We have a client who gets  
16 involved in this kind of thing from time to time and  
17 in their own issues. And there certainly are a  
18 number of emerging technologies that allow a user to,  
19 in effect, seal the container if you're using  
20 shipping containers or seal the boxes if you're doing  
21 air freight or whatever and have a pretty high level  
22 of confidence that the container was not manipulated

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1 world. We can't agree in this country to be metric.  
2 And we're close to being the only country in the  
3 world that is still not metric. And I think that's  
4 our whole problem is the fragmenting of the industry  
5 and the industry's reluctance to make change in a  
6 unified way.

7 France has done a lot of it and I'm very  
8 impressed with some of the things that some of the  
9 companies have been able to do in France.

10 GENERAL WILLIAMS: Okay. Thank you. I  
11 wanted you to have the opportunity to put that before  
12 us. Let's move to another one. This one has to do  
13 with a big problem we have now as Joe took us back  
14 to. And that is our ability to ship our construction  
15 supplies and material efficiently particularly when  
16 these materials are, many are considered classified.

17 What do you know out there that we don't  
18 know that can help us with shipments, transportation,  
19 all of these kinds of things that could improve this  
20 transit security problem that we have? Joe can you  
21 embellish or even Deborah or whomever, but we have an  
22 issue here.

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1 or in any way compromised showing up at its  
2 destination.

3 The question, I guess, that I would have is  
4 that if you ship to another country unless you can  
5 put a diplomatic stamp on it you're going to have to  
6 comply with customs and inspections and other things.

7 I mean that's one of the big issues with a  
8 number of our member contractors and folks, the  
9 minority contractors association, that have concerns  
10 about doing business with the State Department. They  
11 don't know how to overcome the problem and address  
12 it.

13 And from a practical point of view it seems  
14 to me that this is a risk item that we, to go back to  
15 another issue that we had, maybe one of the solutions  
16 to this is for you to supply an identified contractor  
17 or group of contractors to handle this issue.

18 That we, as a contractor or as a designer  
19 needing work overseas, could basically deliver the  
20 products or the equipment to your identified vendor,  
21 who would be an expert, and let them handle getting  
22 it from point A to point B and I don't have to get

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1 involved with it, and let them evaluate technologies  
2 or negotiate tariffs or treaties or whatever is  
3 required to get from point A to point B through the  
4 various inspections.

5 But there are emerging technologies that  
6 will let you do that that are relatively cheap. And  
7 at least my understanding is that they are, and very  
8 predictable.

9 GENERAL WILLIAMS: Okay. Are there other  
10 questions?

11 MR. BLUNT: Sir, General, I would like to  
12 add to that. I don't know if you're aware of Admiral  
13 Lloyd with the U.S. Coast Guard but one of his  
14 initiatives is trying to push off some of the port  
15 security interest to ports away from sea.

16 So if I'm packaging goods in London I  
17 already know what's actually involved and sealed like  
18 you said in that tracking-type unit so that when it  
19 arrives here I don't have to worry about that.

20 If we could use Department of State to  
21 coordinate with us packing certain products here  
22 using, you know, the country's representatives to see

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1 It's just a thought to go backwards and  
2 it's all -- this is unclassified. It's just a  
3 thought well we could work that way, work it back the  
4 other avenue.

5 MR. READY: If you can assure that the  
6 container is not tampered with and everybody on both  
7 sides of the shipping, receiving, and the government  
8 in between are all comfortable with the technology  
9 that, in effect, says to you nobody messed with this  
10 coming over, then you relatively easily solve that  
11 issue of is there something that's coming in that is  
12 not supposed to come in because you looked at it  
13 before you closed it up and then you inspect it after  
14 it gets there.

15 I mean, these are -- I think this is a  
16 point where the high-tech technology stuff is very  
17 valid. And it seems to me you're the ideal people to  
18 provide leadership because you are driving very large  
19 demand for those services that individual  
20 contractors, individual vendors perhaps don't have  
21 the critical mass to do that.

22 GENERAL WILLIAMS: Debbie, any thoughts

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1 what's packed up here and provide the same means of  
2 going back to them, would we -- could we still use  
3 that as a means to get the security products shipped  
4 there with the okay and to be able to get through --

5 I mean, it's kind of a reverse psychology  
6 on the shipping but it might be a good way to --  
7 maybe it's something we could work between the  
8 governments that would allow us to ship from here to  
9 there without having to worry about their customs  
10 because it was pre-inspected by their customs agents  
11 that we deploy over here. Maybe that's an issue that  
12 we can work out between governments.

13 GENERAL WILLIAMS: That's a smart way to  
14 look at it and clearly I think we would want to start  
15 looking at that.

16 MR. TOUSSAINT: If I may, is this connected  
17 to Homeland Security?

18 GENERAL WILLIAMS: TSA.

19 MR. BLUNT: This was at a previous  
20 discussion we had with Admiral Lloyd about some of  
21 the problems he has trying to get things here with  
22 port security.

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1 around this?

2 MS. GLASS: I find the idea for having a  
3 pre-inspection intriguing. It's something that  
4 definitely diplomatic security should be broached  
5 with. I think it's a very good idea.

6 Technology is something that the diplomatic  
7 security and the intelligence community has been  
8 looking at, and as it changes it's a really sticky  
9 situation because there are things that they know  
10 that we don't know on the defensive side that they're  
11 saying, no, we can't go there.

12 So our hands are tied quite a bit by the  
13 intelligence community in what we can and cannot do  
14 with technology and just using containers. So  
15 they're looking at other methods to include  
16 accompanied shipments. So it's a dilemma that we're  
17 still trying to figure out. But I really like your  
18 idea.

19 MR. BERNSTEIN: Just another dimension to  
20 it. On some of the security stuff we're working on,  
21 on goods shipping through tunnels, a number of  
22 companies are looking at technologies on, if I

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1 remember right, one of them is Linotronix. And they  
 2 sort of have a simple way to describe it. It's the  
 3 equivalent of an x-ray machine so that a truck going  
 4 through a tollbooth it goes into a tunnel. You get a  
 5 picture of the goods inside of that, almost a  
 6 signature of what that is, one, to make sure it's not  
 7 contraband or anything else and you get the picture  
 8 of that in different colors reflecting different  
 9 types of materials and sensitivity to explosives.

10 And my thought is maybe another way of  
 11 addressing this issue, which is somewhat different,  
 12 but in light of the security-type issues is if you  
 13 had equipment like this set up at both ends and you  
 14 began for certain materials and goods being shipped  
 15 to take a picture of the goods in the container which  
 16 is sealed and you, you know, you ensure that. At the  
 17 receiving end you're taking another picture of it  
 18 again and you do a match up of the two, if you've got  
 19 the same signature almost as if you're looking at the  
 20 x-ray of, you know, my chest at both ends as long as  
 21 it overlapped.

22 So you can build a sense of security

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1 we tracked some of the company material down. So I  
 2 can provide you with that as a source to follow up on  
 3 that. And I know there is a number of them. That  
 4 just happens to be one of the companies that --

5 MR. TOUSSAINT: How soon?

6 MS. CONRAD: This is time sensitive.

7 MR. BERNSTEIN: I'll get it to you  
 8 tomorrow.

9 MR. TOUSSAINT: Great.

10 GENERAL WILLIAMS: That's wonderful. Let's  
 11 look again on page no number. It's the first one.

12 We're on the design-build and I'm just shifting  
 13 around a little bit to get some flavor. It's Number  
 14 12, and I don't know whether it was Bill Miner or  
 15 P.K. or Joe who put this one on the table but

16 whomever we want to summarize what we have here about  
 17 realities and savings and the like.

18 MR. TOUSSAINT: This one is for Jeff.

19 MR. BEARD: And Joel.

20 GENERAL WILLIAMS: So you're saying it  
 21 doesn't need any embellishment?

22 MR. TOUSSAINT: I think they'll pick up on

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1 perhaps without getting and opening the case at the  
 2 other end but making sure that there's been nothing  
 3 tampered with and you have the same color signature  
 4 and everything else on the device by having the  
 5 device at either end.

6 Then you're in a different type of way of  
 7 tracking what the goods are going across. And  
 8 there's a number of technologies right now being  
 9 worked on for other application because, as I said,  
 10 looking at tunnels and coming into certain facilities  
 11 where there's a concern of possible terrorist  
 12 activities.

13 GENERAL WILLIAMS: Great. Are there other  
 14 comments on this tough one for us?

15 MR. BAGCHI: I really like this one. This  
 16 is something I'm not familiar with and we have to  
 17 find out how expensive that technology is.

18 GENERAL WILLIAMS: Yes.

19 MR. BERNSTEIN: I can provide you some of  
 20 the information. In fact, there was a write-up on  
 21 some of the technology in USA Today about six or  
 22 seven weeks ago and I followed up on some of that and

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1 it.

2 MR. RITTENHOUSE: The savings comes from  
 3 the design team's fee.

4 GENERAL WILLIAMS: Bill, do you want to  
 5 embellish that?

6 MR. MINER: Well, yeah. Let me embellish  
 7 that a little bit. It has occurred to me that we use  
 8 the term design-build quite a bit in inappropriate  
 9 ways.

10 While we have traditional design-bid-build,  
 11 we have a pretty good handle that, as we learn to do  
 12 design-build we're falling back a lot on the old  
 13 methodology. We do design-build typically with  
 14 multiple notices to proceed so that we then embark  
 15 upon a design phase and don't allow the contractor to  
 16 go full speed ahead, proceed with construction which  
 17 is primarily the source of savings in the  
 18 design-build process.

19 One of the reasons that we do develop  
 20 notice to proceed is because there's notice early on  
 21 to do value engineering studies, to do some  
 22 certification work, and to contribute some of our

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1 traditional quality procedures such as review of our  
2 architectural (inaudible).

3 After that first notice to proceed then we  
4 allow the contractor to -- and again, so are there  
5 ways that we can get closer to true design-build and  
6 hence realize the savings that are associated with  
7 it?

8 MR. BEARD: We talked about this at the  
9 start of the last meeting and I termed what you were  
10 doing as kind of a preliminary design-design-build  
11 approach. And you're getting some of the benefits of  
12 design-build but you're probably not getting the cost  
13 --

14 GENERAL WILLIAMS: But we want to get more.

15 MR. BEARD: You want to get more.

16 GENERAL WILLIAMS: That's why we brought it  
17 back.

18 MR. BEARD: You need to move to the left up  
19 the chart toward what we call design criteria  
20 design-build, the criteria for design.

21 GENERAL WILLIAMS: Tell us what that should  
22 be.

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1 let them finish the programming with you.

2 You have started the feasibility and  
3 started the programming. You will let them do the  
4 completion of the programming with you, ease into  
5 design and through construction. And then you can  
6 get all those benefits of design-build.

7 It's a different procurement. It's a  
8 different competitive environment but there are  
9 gradations of -- now I wouldn't rule out, however, if  
10 you're dealing with repetitive box-type buildings  
11 like Wal- Mart does, going with preliminary design-  
12 design-build and kind of site adapt it.

13 I mean, if you're doing something that  
14 simple, but if you want to inspire and get the best  
15 possible proposals from the marketplace, then you  
16 have to retreat back or go upstream to where design  
17 criteria design-build or direct design-build, where  
18 they have a true stake in collaborating and coming up  
19 with a creative proposal for you.

20 MR. MOUNT: Would you -- under that system  
21 would we get rid of the AAB review, our in-house  
22 value engineering, and just -- not just but then it's

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1 MR. BEARD: Your solicitation contains  
2 programming information and performance criteria and  
3 maybe even performance specs for systems, but you're  
4 looking for the proposals, you know, from the supply  
5 side to come back to you to say, this is what we are  
6 going to give you Mr. Owner, Mr. State Department,  
7 Ms. State Department.

8 Here's our creative, innovative way using  
9 all the tricks of the trade that we know, all the new  
10 systems that we know with innovation to try to get at  
11 what you want.

12 And when we get into the design part of it  
13 -- we are the A/E of record after all -- that you  
14 don't give us the typical 30 percent/60 percent/90  
15 percent. You just look over our shoulder and we will  
16 go right through the process. You give us advice  
17 on-the-fly not strict sequences where you mark them  
18 all up and send them back over whether it's  
19 electronically or hard paper.

20 And if you really want to get to the  
21 ultimate in design-build then you will acquire your  
22 teams on a qualifications-based selection basis and

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1 full speed ahead for the design-builder and it would  
2 be OBO's responsibility, in a sense, to sort of keep  
3 up with you?

4 MR. BEARD: More or less, yes. There would  
5 still be a couple of interposed stops along the way,  
6 reality checks. Yes, there would certainly be those.  
7 And any good design-builder would want to say, I  
8 definitely want to satisfy my client. I want  
9 customers for life. I want to keep doing these good  
10 things.

11 But, yes, the command and control stuff  
12 would go away. The sequencing, the rigid sequencing  
13 and the dotting every I and crossing every T would go  
14 away because that is bogging you down.

15 MR. MOUNT: Isn't the ultimate quality  
16 control of the final product and the repetitive work  
17 that that company gets with the owner?

18 MR. BEARD: And the ultimate satisfaction  
19 would be is it fit for the purpose that you have  
20 defined way up in your drivers in feasibility and  
21 your program, is it fit for those purposes as we test  
22 the finished facility.

34 (Pages 130 to 133)

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1 And if it is not, they're in breach of  
2 their design-build, their total integrated contract.  
3 And they don't want to be in breach. They want to  
4 satisfy you. Make them hold their fee until a year  
5 later or two years later.

6 MR. TOUSSAINT: This is the Holy Grail  
7 because for me it's -- I'm seeing a wondrous  
8 situation where Bill's involvement, his staff time is  
9 reduced tremendously; P.K., his staff, site staff, is  
10 reduced tremendously; and Debbie's security operation  
11 can be reduced tremendously.

12 All we have to do is get the performance  
13 specification in the bulls eye the first time out.

14 MR. BEARD: That's not easy but it's  
15 possible.

16 MR. TOUSSAINT: Can we get some ideas of  
17 how we might do that? We were talking this morning  
18 about how we get to build-to-lease strategies. Are  
19 their strategies that would help us, if we wanted to  
20 do a pilot project, knowing us as the organization  
21 that we are now, how would we go about that?

22 MR. ZINGESER: I don't know that I have a

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1 is. I don't need to know what the roof is, okay.

2 So now, you're integrating the notions of  
3 fast-track. So speaking to Joe's question, I would  
4 take a tiger team, if you will, of your key people  
5 that know both the programmatic requirements and the  
6 yeah buts. The yeah buts are, yeah, but you can't do  
7 that. You can't do that. We're not going to let you  
8 do that.

9 GENERAL WILLIAMS: I like that.

10 MR. ZINGESER: You go through what you  
11 need, what you're trying to get done, the boundaries  
12 that you have. And those constraints are good  
13 because it's very difficult -- Harold will tell you  
14 it's very difficult to design anything with no  
15 constraints. The constraints help.

16 And you can begin now to take your  
17 professional team of designers, contractors and  
18 others and working with you on that team begin to  
19 really figure out what do we need to play, when do we  
20 need to bring it in play and then I will absolutely  
21 100 percent endorse the idea that you need to be at  
22 the table when the reviews are going on, when the

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1 direct answer to that but what strikes me, again,  
2 this is sort of carrying on a dialogue and discussion  
3 we had last time but what strikes me is you have got  
4 a lot of things happening at once.

5 And what you want to do is bring it  
6 together. And you have an opportunity to think  
7 outside of the box, to use a trite expression.

8 But let's assume we have a given project in  
9 a given country and we are going to do a design-build  
10 and we're going to use one of our standard products,  
11 okay?

12 Right off the bat, there are a group of  
13 prescriptive or known things about that project. We  
14 know the site. We know how big it is. We know what  
15 the standoff requirements are. We can start to bound  
16 the area within which we're going to build this  
17 building.

18 We know what the standard design is in  
19 terms of basic footprint and so forth. Now, if I  
20 were Abe Pollen, the day you told me that I had that  
21 I'd start digging a hole, because I would know where  
22 I'm going to put the building and roughly how big it

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1 decisions are being made. And there is no place or  
2 time for your program to go through, stop. Let me  
3 look at it. We'll get back to you.

4 GENERAL WILLIAMS: Excellent.

5 MR. ZINGESER: So that's sort of the idea.

6 GENERAL WILLIAMS: Well, we brought it back  
7 and just being honest with you here because you know  
8 if we brought it back we really wanted to take a look  
9 at it again. And I've had discussions with Bill and  
10 Joe and P.K. and all of us.

11 And what we are really trying to figure out  
12 is we don't want to stumble and fail coming out of  
13 the door because we are in an ongoing intense mode.  
14 So we really don't have time to try something and  
15 have it fail and then go back and try to rework it.

16 We are going to have to catch it and hit a  
17 home run with this in an ongoing fashion because we  
18 don't have the time and the luxury of studying and  
19 prototyping and doing all that.

20 If the protocols around design-build, as  
21 long as it has been out as a delivery system,  
22 delivery method, if those protocols are firm and

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1 tested enough, then this tiger team effect we're  
2 talking about should be able to kind of capture that  
3 and come back and apply it. And these things should  
4 work if they are proven protocols.

5 But we have to kind of know they will work.  
6 In other words, we can't try something and cause the  
7 cost to go up. We can't try something that would  
8 tamper with the schedule because we are working very  
9 hard in the last 18 months to change.

10 We've almost turned the place upside down  
11 and going in a direction. But now we want to refine  
12 that because we know we're not quite there, as Bill  
13 pointed out, quite a distance from there with the  
14 design-build concept.

15 We say we're doing it but I know and  
16 everybody else knows we're only doing a piece of it.  
17 We're kind of missing the part which design-build, I  
18 thought, was put in place for and that was to save a  
19 lot of money. That's where we are. And this was by  
20 no means a summary. I didn't want to cut anything  
21 off but I just wanted to kind chat about where we  
22 were. P.K., do you have any --

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1 MR. BAGCHI: Yeah. I just wanted to add to  
2 what Jeff was saying and Joel was saying and we have  
3 some specific areas where probably we have the  
4 expertise, some unique requirements which is  
5 different from any other commercial buildings and  
6 maybe we can script it in those areas and let the  
7 design-build designers and the contractors just go  
8 run.

9 MR. MOUNT: Isn't that the whole goal of  
10 the standardization that we have been looking for?  
11 Plug and play we should almost have for some of the  
12 aspects of our buildings, the Com Centers, the marine  
13 guard booth.

14 They should -- you just plug it in. You  
15 don't redesign it. You don't design it. You just  
16 plug it in and move on. And none of this, well, we  
17 want it to face left. No, I like it right. I like  
18 it a little higher. I like it a little lower.  
19 There's just one way of doing it in that range of  
20 building.

21 GENERAL WILLIAMS: Gay, you're going to end  
22 up in design engineering. Keep talking.

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1 MR. RITTENHOUSE: We did a couple of little  
2 projects for you guys. And it was in -- I'm going to  
3 knock on the architects on this -- but in negotiation  
4 between us and the architects and you guys it was,  
5 it's just standard. It's just this. They're packs  
6 and catch. It's just this. Just do this. Okay?

7 We sign the deal and then the architect  
8 said, but I want to make it nicer. And the next  
9 thing we have not three identicals, which they paid  
10 for three identicals, then we had three totally  
11 unique.

12 And so the architects ran that way but you  
13 guys let them go that way. Oh, yeah, wow, this is  
14 great. And so it just spiralled a little out of  
15 control.

16 MR. ZINGESER: Was that design-build?

17 MR. RITTENHOUSE: It was not design-build  
18 but --

19 MR. ZINGESER: I can tell you standard  
20 design would have made them all three the same.

21 MR. RITTENHOUSE: They enjoyed that also  
22 but I'm just saying that was one thing is this

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1 discipline of now we're paying for this. Let's just  
2 get this. And that was one of the comebacks on that.

3 GENERAL WILLIAMS: Well, you know we have  
4 - as you know we have a big, big load here and we've  
5 got some traction and fortunately we have some  
6 credibility with our stakeholders now. They are  
7 supporting us and really believe that we are trying  
8 to make a difference.

9 So while we in this forward posture we  
10 don't want to just sit and relax and feel that we've  
11 got it made. We know that there are better ways to  
12 do things. And I've sort of maintained ever since  
13 I've been here, this is no secret, that we probably  
14 should get more out of our design-build method of  
15 delivery.

16 And as you can see the staff now and  
17 particularly under Bill's leadership is looking at  
18 that. But we just want to make certain that we do it  
19 right and make it go.

20 I like the idea of the tiger team and maybe  
21 we should try one project to see how that works and  
22 see if we sort of get it right on that one and maybe

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1 kind of see where this goes. But it's an issue for  
2 us. Yes, Jeff.

3 MR. BEARD: General, I worry about the  
4 industry and owners, though, expecting design-build  
5 to be the one delivery system that is going to save  
6 everyone a lot of money because that's not --

7 GENERAL WILLIAMS: Some money.

8 MR. BEARD: Maybe a little, but I think the  
9 real reason to do design-build is for a given budget  
10 to get it faster and a better facility, a facility  
11 that will meet performance expectations, that will  
12 exceed the traditional standard of care that we have  
13 all become used to.

14 GENERAL WILLIAMS: Well, why wouldn't it  
15 save money if we're going to --

16 MR. BEARD: Over time because quality is  
17 performance over time.

18 GENERAL WILLIAMS: Well, why wouldn't it  
19 save money initially if it's going to cut out all of  
20 these review, time-consuming tasks?

21 MR. BEARD: Yes, Yes. On total cost, on  
22 your cost, constructors' cost, yes. Kind of on a

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1 design-build was about 20 percent faster. For  
2 overall delivery time, which includes design now,  
3 design and construction, design-build was about 30  
4 percent faster than design-bid-build.

5 Quality with design-build was equal or  
6 slightly higher than same at risk or design-bid-  
7 build. For all those -- they looked at a variety of  
8 project delivery systems. That's the first really  
9 landmark study across project delivery systems.

10 On the cost savings the study did bear out  
11 some cost savings for design-build. I'm speaking to  
12 you from my own reading, experience, research. I  
13 worry about people switching to design-build  
14 thinking, oh, we're going to save a whole lot of  
15 money in every case.

16 I think we're going to become more  
17 efficient and those external costs will go down but  
18 I'm not sure that we're going to save money on an  
19 individual project per square foot until we get the  
20 industry allied around this collaborative  
21 environment.

22 And then I think the savings over time will

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1 total cost picture, yes, I think it would. But on a  
2 per square foot basis, depending on how you do your  
3 procurement.

4 You know, if you do a low bid procurement  
5 on a fixed drawing, I think you could drive a per  
6 square foot cost possibly lower with design-bid-  
7 build. And I'm not speaking out of school here.

8 Those of you who know design-build, Derish,  
9 you'll bear this out, but your drivers, your  
10 motivators have to be multi-attributes not just one  
11 attribute. You're not just driving at low-cost.  
12 You're driving at this balance of better time, more  
13 innovation and you look at the multi-attribute  
14 decision that you're trying to make to get the better  
15 value.

16 GENERAL WILLIAMS: In a true design and  
17 build setting versus a traditional what would be some  
18 of the general percentages of schedule reduction and  
19 cost?

20 MR. BEARD: If you go by the Construction  
21 Industry Institute study that looked at projects, 350  
22 projects from '92 to '97 for construction time

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1 be with supply chain management and other good things  
2 that we're talking about, with using modeling and  
3 building the virtual model and cutting out redesign,  
4 with construction productivity methods, using  
5 robotics. And there's a whole lot of things where we  
6 can reduce a lot of efficiencies over time if we have  
7 an integrated process.

8 MR. BERNSTEIN: I was going to say just one  
9 caveat to what you said, Jeff, and that was where  
10 I've seen some of the data on Toys 'R Us and retail  
11 companies where time is money. And so access to  
12 facilities for the occupants is a big factor in terms  
13 of money, weighed against that.

14 So depending on who the owner is and the  
15 use of the facility then you have another dimension  
16 on cost and looking at design-build as a real saving  
17 on cost because of occupancy and use.

18 MR. BEARD: And maybe your own data points  
19 out design-build embassies versus design-bid-build  
20 embassies on a per square foot basis and just for the  
21 design construction costs do you have a gap, do you  
22 have savings or are they about the same?

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1 MR. MINER: Several of our NOBs were  
2 included in that study and Nick Rutherford (phonetic)  
3 was a member of that project team. So I think that  
4 partially reflects our own experience.

5 MS. CONRAD: The other thing you're looking  
6 at with the design-build, with one of our problems  
7 which is having to have cleared American guards and  
8 people overseas and the costs we're paying.

9 If you do a 20 percent factor that's 20  
10 percent of the time we're not paying for security  
11 management, which is a huge component of our cost.

12 So if you're looking at total project cost  
13 you're going to be saving on those areas --

14 MR. TOUSSAINT: And our site costs as well.

15 MS. CONRAD: And site costs as well.

16 MR. BEARD: I think that's where -- which  
17 is a wider number.

18 GENERAL WILLIAMS: I think that's what he  
19 was saying, that the total cost, and that's what it  
20 really amounts to for me with our stakeholders.

21 Sometimes they will peek at components  
22 within but at the end of the day we delivered a \$60

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1 sector, they will go out and hire major corporations  
2 that are producing projects where time is money,  
3 getting a product to the market is money. And they  
4 hire the entire team from the first day. It's the  
5 procurement method.

6 And if you work together, if the architect,  
7 the engineer, the contractor, all are working  
8 together, simultaneously, clearly there is a time  
9 savings because the benefit of the contractor's  
10 knowledge of just how they are going to build the  
11 project and how they are going to procure the project  
12 is brought to the table in the beginning.

13 And we have found that there is where --  
14 because the contractor is buying -- they are in the  
15 marketplace buying the products that you are -- often  
16 the designer is able to put products in that they  
17 didn't know that they could afford. They didn't  
18 think the budget allowed it.

19 And it's their knowledge being brought to  
20 the table right up front. And I think that's where  
21 there is a savings. The problem that I hear over and  
22 over and I'm on Jeff's board. And I'm the only

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1 million embassy or a \$70 million embassy. And  
2 whether that's two-thirds construction or whatever it  
3 doesn't matter.

4 So it's the overall cost of putting in  
5 place one of the new embassy compounds is my issue.  
6 And quite frankly nothing would please my  
7 stakeholders more than to say you have seen your last  
8 \$90 million embassy in the old Soviet bloc, for an  
9 example, or some other place around the world,  
10 because we have gone to this new method or whatever.

11 Because we have so much to get put in place  
12 and it's very strainful to our people who are  
13 watching the taxpayer's dollar to see this amount of  
14 money being outlaid every year. It's a lot of money.

15 But we know we have to do it because we  
16 have our people overseas. They are in harm's way.  
17 The world is not getting any better. It's getting  
18 worse. So we have a real trick here. Yes.

19 MR. ADAMS: We have found that there is  
20 really not a great deal of difference in design-build  
21 and design-bid-build if the design-bid-build team is  
22 hired all at one time. And this is where the private

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1 architect on that board.

2 The individuals that are there that are the  
3 construction, on the construction side, are all  
4 frustrated that design-build is not translated into  
5 doing it cheaper, because the only way -- it can be  
6 done but you're not going to get buildings that are  
7 going to last as long as you want.

8 They are going to be -- we can deliver you  
9 a first-cost building. It may not get the -- the  
10 system may start breaking down pretty fast. And  
11 that's the problem with if it's all focused on price.  
12 You can get it cheaper and there are plenty of  
13 examples of delivering buildings that are just  
14 adequate rather than meeting all the criteria that  
15 you have to meet.

16 GENERAL WILLIAMS: I don't want us to take  
17 the cheaper because I don't think that was exactly  
18 where we were headed. What we were looking for,  
19 naturally, there has to be some reason, some  
20 rationale for going to the delivery system and  
21 delivery method.

22 And naturally, cutting the duration on the

38 (Pages 146 to 149)

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1 clock can be translated into all kinds of positive  
2 kinds of things. But the overriding thing that I  
3 have to deal with any time that we're discussing a  
4 new method is automatically someone providing funds  
5 will come to the notion of cost.

6 So we're going to have to deal with the  
7 cost issue somehow, either via the scheduling  
8 duration and translate those things and somehow  
9 analytically work something out around cost.

10 Otherwise, you've got all of these  
11 arguments because you know, I deal with the holistic  
12 industry here, and there has to be some reason for  
13 why you're doing something.

14 You raise a good argument by starting them  
15 simultaneously and ending up at the same place. What  
16 are the cost implications of time on the clock  
17 inasmuch as there are -- so, you know, we have those  
18 type things to deal with.

19 So I think where you can help me is to try  
20 to some way find that significant advantage in this  
21 delivery method that is what everybody wants, and  
22 that is getting this facility, the right facility

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1 And I think you have to put a value on that  
2 in order to be able to look at the whole equation of  
3 how design-build works for you. And if you -- and  
4 that's a tough thing for government to do is to  
5 quantify its side of the fence.

6 But if you develop the pilot project  
7 concept that we were sort of discussing and you look  
8 at where you can economize on your side of the  
9 review, your side of the process, and I think impose  
10 a discipline into the system that maybe you don't  
11 currently have with the traditional design-bid-build,  
12 you'd have the luxury of delay and time and you have  
13 the invitation of people to change their minds in the  
14 middle of the project because they see you stopping  
15 at this point so it's a convenient time for everybody  
16 to reassess. That then drives other changes, other  
17 cost factors that you don't want to lose control of.

18 GENERAL WILLIAMS: That's an excellent  
19 point. I just want you to tell me how to do that.

20 MR. READY: I think design-build drives  
21 that because you force a timeline that you don't get,  
22 you don't make those stops as we were talking about.

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1 with all the bells and whistles you know we have got  
2 to hang on this thing, quicker and if that reduction  
3 in cost -- reduction in time can translate into cost,  
4 then we can lay out some dollars associated with  
5 that. That's the real issue.

6 MR. READY: I guess I would like to just  
7 sort of look at it a little bit different way. I  
8 think that you spent a lot of time arguing for the  
9 State Department to look at these buildings as a  
10 client, as an owner, as the private sector.

11 And design-build was developed and driven  
12 by the need of owners to get the product at a  
13 competitive cost faster. And a lot of that is  
14 financing issues and other things.

15 But I think if you look at what it costs  
16 you, if you look at your side of the equation as the  
17 client, as the owner and you start looking at the  
18 savings, or in your case the stretching of limited  
19 resources to get the whole program underway, if  
20 people can do three successful projects instead of  
21 one successful project within your same time period,  
22 that has a real value.

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1 GENERAL WILLIAMS: That's right. And the  
2 contractor -- you're right. We're vulnerable because  
3 we have these windows. We have not yet awarded.  
4 Okay. So since you have not awarded I can play.  
5 You're absolutely right. That's what were trying to  
6 eliminate.

7 MR. ZINGESER: The only thing that I would  
8 add is I think we've got an apples and oranges thing  
9 going on. If you go out and procure design-build  
10 services and then impose on that design-approve-bid  
11 then do this, then we're going to build, you're not  
12 accomplishing your goal.

13 What you're really talking about is phased  
14 design and construction and it's that old fast-track  
15 term or whatever you want to call it but it's  
16 allowing, as we were using our heads, allowing the  
17 overlap.

18 And it's the phased design and construction  
19 activity and not the design-build contract that will  
20 get you the benefit that you are seeking. And that  
21 piece is where you start to assume risk that you are  
22 not used to taking.

39 (Pages 150 to 153)



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1 GENERAL WILLIAMS: That's correct. Well, I  
2 think you know this is one that we could really go  
3 on. But I really think that you have been very  
4 helpful. We come back and revisited this again and  
5 our mission, I think, from what we've heard today is  
6 we have to clean up the design-build delivery method  
7 and find the project suitable to fully test it so  
8 that we have some traction and know exactly what  
9 we're talking about.

10 And if that works well for us just in order  
11 to get over the nuances of staffwise dealing with  
12 something different, and see how that goes, and just  
13 kind of creep into this and work it.

14 Right now, we do have the hybrid. We have  
15 something in name and we've still got a lot of the  
16 traditional pieces to that. And that's the chore for  
17 billed to noodle out and reduce it.

18 I like the idea that Dave mentioned here  
19 because I hadn't looked at it this way and Joe and I  
20 were just both nodding our heads. When we stop the  
21 train the kind of clients, the kind of tenants we  
22 have here, we have all kind of folks hopping on.

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1 that it will meet the security standards and so  
2 forth. For them to determine that they say they have  
3 to see it a design built to a certain stage.

4 So we have this -- and Debbie and Bill are  
5 working on coming up with some kind of language that  
6 will make all parties comfortable so that they know  
7 that we could award a contract. We would develop the  
8 design and Joe, we can't start digging yet because we  
9 have to develop the design to a certain level to show  
10 them something that they say now they know what  
11 they're getting and then they can tell us we're going  
12 to be okay.

13 MR. ZINGESER: That's one of your yeah  
14 but.

15 MR. TOUSSAINT: That's a big yeah but.  
16 They have got a big voice.

17 MR. WOLFF: And your standard design  
18 doesn't protect you?

19 MR. TOUSSAINT: Well, that's a good point.  
20 The standard design -- that's the one that works.

21 GENERAL WILLIAMS: That's why we went there  
22 first.

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1 But if the train never stops it will just  
2 make our day because -- and if this system just  
3 eliminates that I think we will be a more efficient  
4 operation. Once we get started, it's started.

5 And part of some of the discussions we had  
6 this morning was centered around that. We don't want  
7 to stop the train. Give us the money up front, do a  
8 good job on what we have so that we can talk about  
9 funds available and not subject to any of these other  
10 stops and segmented types of things. And I think we  
11 can be a more efficient operation this way.

12 MR. TOUSSAINT: Throw another thing into  
13 this, General.

14 GENERAL WILLIAMS: Yes.

15 MR. TOUSSAINT: A little bit like this  
16 transit security issue, we have one party, one of our  
17 stakeholders that is very risk averse in terms of  
18 design-build. They do not like it because they say  
19 we don't know what you're going to build. We don't  
20 know what you're going to design.

21 And there's a part of our process which is  
22 called certification where we certify to Congress

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1 MR. ZINGESER: The example that I have --  
2 the example that I gave, I said Abe Pollen would dig  
3 a hole. When Abe Pollen got the franchise for the  
4 Washington Capitals he started digging.

5 He know how big a hockey rink was. He had  
6 a piece of ground and he had a deal with Prince  
7 George's County. And he started digging and then  
8 went on to design the rest of the building.

9 Now, he was the owner, the architect and  
10 the contractor and everything all wrapped in one so  
11 he could do that. But it's that Nirvana, if you  
12 will, that you'd like to do.

13 So that's what I meant when you know -- in  
14 this case you have that. You know how big the hockey  
15 rink is and you can start to dig.

16 GENERAL WILLIAMS: And the standard design  
17 might be the vehicle to ride to begin dealing this.

18 MR. WOLFF: You might be saying that you  
19 have to have a standard design, that this becomes  
20 part of the criteria that you can't have the luxury  
21 that other people do.

22 MR. TOUSSAINT: Well, we will have to

40 (Pages 154 to 157)

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1 standardize it next time around to see how we can get  
2 out of the traffic.

3 MR. BEARD: Joe, would your stakeholder be  
4 satisfied with a 3-D or 4-D model that you could walk  
5 him through the design rather than carrying a  
6 two-dimensional design in AutoCAD to 40 percent  
7 because they'll be much more comfortable going  
8 through on a screen rather than --

9 MR. TOUSSAINT: With education, yes. But,  
10 that's a good idea.

11 GENERAL WILLIAMS: But Debbie is saying no.

12 MS. GLASS: From a security perspective  
13 there are a lot of other issues that we have to look  
14 at. And with the stakeholders that we're talking  
15 about they're not just looking at the features, look  
16 at oh, it's a nice wall.

17 They're looking inside the wall, what is  
18 the wall going to be made of? Where is the  
19 infrastructure going to be going, all those kinds of  
20 things. And as far as the standard design is, yes,  
21 that's true we have a standard design but it's a  
22 site-specific design.

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1 You can bend, fold do some things to that  
2 design, depending on where you're going to be and our  
3 stakeholder has an issue with that because in bending  
4 it or moving things a little bit it changes some of  
5 their major issues.

6 MR. BEARD: But there are three programs  
7 out there now in 3-D CAD where you can spit out reams  
8 of two-dimensional drawings. I mean, if that's what  
9 he's interested in seeing.

10 MS. GLASS: There's a lot more to it.  
11 There's a lot more to it.

12 MR. MOUNT: You may have to ask him what it  
13 is you can't do. He sets you a limit within which  
14 you -- I know that Joe is right. They are risk  
15 averse. The definition in the dictionary is that  
16 organization.

17 MR. BEARD: We have been out meeting with  
18 an agency along the Potomac River as you go.

19 MS. GLASS: I know that one.

20 MR. BEARD: Maybe you have heard of them.

21 MR. READY: But I think, General, if I may,  
22 one of the things that the standardization and the

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1 process -- you reduce the risk anytime you do custom  
2 design, any time you do new there is -- you have a  
3 much higher risk of not meeting whatever performance  
4 criteria. So for them to argue that they have to see  
5 everything new basically sets up a process where you  
6 always have to be right the first time.

7 And I think one of the selling points that  
8 that you have to make is that the standard design and  
9 the process moving forward with a strong set of  
10 performance criteria and your preprogramming of the  
11 building guarantees that there is a much less  
12 likelihood that there's going to be a slip-up because  
13 you're not reinventing that wheel constantly and  
14 you're able to focus on those subsystems or those  
15 specific specialties that will be critical issues  
16 that they have.

17 GENERAL WILLIAMS: You know, that in so  
18 right, and then a lot of this has to do with  
19 tradition and comfort level because when the world  
20 looked one way you wrote some supporting protocols  
21 around this that did not include the whole concept of  
22 design-build delivery.

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1 So when you interject a design-build  
2 delivery and then try to match that to what you have  
3 written down about what you should do at certain  
4 points and what you should look for and the way you  
5 have written this description it does not match.

6 Therefore, you have got a problem with what is now  
7 public law and what we're talking about.

8 So it is going to take some rethinking,  
9 getting over some of the traditional type things and  
10 rolling out what design-build is about and what's in  
11 a design, designed to do and how that minimizes.

12 And it doesn't create a problem for you, it  
13 helps you add more comfort because you're essentially  
14 doing the same thing over again. You're not  
15 reinventing it.

16 So you can see the kind of work that we  
17 have got to do. This whole idea is only about a  
18 month old and so we are trying to work through it.  
19 And you have given us a lot to work on. And part of  
20 it, to be very honest, we are just going to have to  
21 step back away from the issue and take a fresh look,  
22 write some new language about things and see how

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1 close we can get to where we are trying to go. But  
2 you have been very helpful.

3 Okay. We will move from that one so we can  
4 -- you want to give Jeff his other one or you want to  
5 -- one pill at a time.

6 We are having and I don't know how this is  
7 in the book but let me just put it out on the table.  
8 In the process of trying to get it right and that's  
9 what we -- if you don't take anything else away from  
10 these sessions please take this back, and I think  
11 most of you know me, and that's where we are trying  
12 to do.

13 We are not completely satisfied with our  
14 costing and our cost estimation and engineering side.  
15 And we are talking deep family business now but  
16 everybody around the table here knows this is the  
17 only we can get to the root of it.

18 So what can we do different to ensure that  
19 we have the best approach to managing cost because  
20 we're not there yet? In spite of some of the things  
21 we came in and told you early on about having the  
22 success model and being a validator and all that but

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1 what we expect a particular facility to cost given  
2 the land value.

3 And we explored it around and realized that  
4 such a wonderful animal doesn't exist except perhaps  
5 for certain countries for some of those companies in  
6 Western Europe that we came up with a couple that  
7 might have those kind of databases for particular  
8 countries around the world. But there is not a  
9 commonly available Marshall and Swift or RS Means  
10 anything like that either on an assemblies basis or  
11 an individual component basis from which we could  
12 draw that data and adjust.

13 GENERAL WILLIAMS: Yes, Harvey.

14 MR. BERNSTEIN: I would actually answer the  
15 question a different way. And it's really one of  
16 interoperability. It sort of goes back to when we  
17 brought Ghry in with Dassault Systems to talk about  
18 the software.

19 If you think about in principle, I mean,  
20 Ghry Designs matter, not the embassy designs, but the  
21 real issue we're facing in the industry right now we  
22 have a number of task groups working on this and

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1 we still have some issues with cost, and from the  
2 owners point of view. So what can we do differently?  
3 This is my question. It's not here. So don't look  
4 for it in the book. Is it there?

5 MR. FLOYD: Yes, sir. It's there. It's  
6 Number 3.

7 GENERAL WILLIAMS: Okay. I hadn't looked  
8 in the book. So it's there. That shows you how  
9 consistently.

10 MR. FLOYD: This is one of our main  
11 focuses. And again, it's in the IT world and we  
12 talked about it at lunch with a couple of individuals  
13 on how the industry is looking at this and how we can  
14 get a handle on it.

15 And I would like for Jeff and Derish to  
16 talk about what we talked about at lunch, if you  
17 don't mind, please.

18 MR. BEARD: We were talking about costing  
19 for particular facilities worldwide and does there  
20 exist a common database where we could look at a  
21 country factor, given exchange rates or local  
22 materials, labor, that sort of thing, and factor in

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1 trying to come up with solutions, the fragmentation  
2 of the industry and so many different suppliers, and  
3 the whole supply chain that get involved in the  
4 project, costs tend to run high.

5 And you take a look at the application, and  
6 I use CATIA merely as an example, when CATIA came in  
7 in the automobile industry and they linked the  
8 building and design of cars all the way down to the  
9 suppliers and all the contractors and every part  
10 feeding in, they showed a 10 to 12 percent savings in  
11 cost.

12 The same model applied to the shipbuilding  
13 industry has now shown that. Boeing picked it up.  
14 The 777 paperless design showed significant savings  
15 in cost because of the communication sharing of  
16 information between all the players on the process.

17 Toyota just now adopted CATIA for the same  
18 reasons. Now, there's other software and I'm not  
19 pushing CATIA at all but the old thing that our  
20 industry is looking at right now is we're a very  
21 fragmented industry.

22 But we're supposed to be a manufacturing

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1 sector. As such we have to look from design right  
2 through the construction, fabrication, all the way to  
3 maintenance and operation and look at that chain of  
4 information, how it's shared.

5 And there's a strong belief in the industry  
6 that if we can establish common platforms and use  
7 some models of software that we can streamline the  
8 costs, improve the productivity and get away from  
9 change orders and some of the elements that come into  
10 the higher costs during the course of a project.

11 And so when you start talking about cost  
12 data, as Jeff was alluding to, I don't think you're  
13 really after searching for that database. What  
14 you're looking for are the right models being applied  
15 in different industries and how those efficiencies of  
16 change come about.

17 There are a number of groups right now  
18 working, the International Interoperability Group,  
19 RCII, we're focusing on that. We are going to be  
20 doing a major workshop where we are comparing  
21 different projects of different sizes to show both  
22 scalability cost differences in that across a number

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1 CATIA software and they just gave me an example and  
2 said MIT -- Ghry is doing a project there working  
3 with Bekin Skanska, Ghry design, both are \$160  
4 million above garage.

5 And they said that the difference in those  
6 two in costs is astronomical. Mortenson passes the  
7 risk down, change orders and everything else. They  
8 don't absorb any of that. The way they manage it not  
9 truly using the technology of the tool. It's just  
10 there because they're working with Ghry.

11 MIT Bekin Skanska used that as a learning  
12 model and now on the next project they're doing had  
13 no change orders coming in on that, on significant  
14 time and savings costs on their project.

15 Then they rolled a third example on Case  
16 Western -- I'm trying to remember the contractor who  
17 bid that project but that was -- that was a small  
18 one, \$50 million project.

19 And it was under the full control of the  
20 contractor so they didn't have a lot of communication  
21 problems and so they were sharing information on the  
22 system of every stage of it and they had tremendous

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1 of projects done by some different contractors but  
2 using the same models, trying to determine where you  
3 can show cost savings and tools that can then be  
4 applied.

5 And I think when you look at the embassy  
6 construction project you are in a very unique  
7 position in that you are trying to standardize  
8 between your small, medium and large.

9 You have the ability to computerize your  
10 user models. No matter who you hire you have the  
11 ability of setting it up where just as Chrysler said,  
12 if you're going to work on our car, on any parts,  
13 every single person has got to use the software.

14 You can drive a lot of that so you can  
15 achieve your savings through certain efficiencies,  
16 improved communications.

17 One of the things that Frank Ghry -- I was  
18 out in L.A. last week with Frank Ghry and Jim Glymph  
19 and one of the things they pointed out they gave me  
20 three examples of projects. It took the L.A. Music  
21 center that's being built, a Disney project that  
22 Mortenson is managing using the Ghry design and the

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1 time and savings cost. Ghry claims on most of their  
2 projects they don't have change orders because the  
3 whole process is laid out.

4 So I guess my point is on the very issue  
5 you're raising, which is one of the reasons when I  
6 brought them in, and I don't know really care whether  
7 that's the model or any other, but I believe there  
8 are enough tools around.

9 And I know from talking with Bill and Joe  
10 this morning some of the stuff you're looking at  
11 right now with Searle on the barracks-type housing,  
12 all of those kind of tools I think will ultimately  
13 lead to your cost savings where you are truly  
14 creating a system where you are a manufacturing  
15 sector, if you will, and you're streamlining that  
16 process.

17 And so the interoperability, working off  
18 the same platform, sharing the same tools, sharing  
19 the same data, is where you're really going to  
20 achieve your cost savings.

21 MR. MOUNT: Well, we have two issues as  
22 well. We have one, the cost savings but also to know

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1 ahead of time how much it's really going to cost us,  
2 because as the general says, the people who grade our  
3 papers from outside, if you said it was going to cost  
4 \$56 million, it better cost \$56 million or less.

5 You don't get any credit for saying whoops,  
6 I was a little off. And the issue about how do we do  
7 the cost estimating that links up to cost management.

8 GENERAL WILLIAMS: Right. It's the  
9 estimating side, which is the front end work. Once  
10 the requirements are laid out we have to post the  
11 absolute best we can do on cost and then that gets  
12 locked into the vetting system through the building,  
13 through OMB. It ends up with the ultimate  
14 stakeholder. They bless, approve it at that number,  
15 and that's it. So we are very concerned about the  
16 cost estimation.

17 MR. WOLFF: I spent more of my life than I  
18 wanted to and career on this issue and actually have  
19 clients including Department of Defense and Corps of  
20 Engineers who asked us to do worldwide costing  
21 models.

22 What we found was that square footage costs

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1 ability to always go back to it because we found a  
2 lot of overruns came about because no one went back  
3 to the model. And it's very painful.

4 So those are the only things we did. Now,  
5 there's a report out which I promised to give Charlie  
6 which showed in fact that there is no problem with  
7 estimating costs because there are always under by --  
8 to me it was absolutely amazing how accurate people  
9 were in underestimating certain classes. They had  
10 bridges, tunnels and roads.

11 And the underestimating, say, for example,  
12 of tunnels was amazingly accurate. It was between  
13 say 28 percent and 39 or so so that people -- there  
14 was very little risk in these projects if you applied  
15 the right coefficient. I'll send you a copy of the  
16 report.

17 But it's not easy and I mean, there's  
18 almost no substitute for getting down and really  
19 digging in if you want to allow -- if you want to  
20 really do design-build in the sense of if marble is  
21 cheaper in this country than terrazzo, let's use  
22 marble. If you don't have that kind of flexibility

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1 are comparable once you have got ratios. And the  
2 records and the costing models were built, what we  
3 call a rule of thumb. And the key element to them  
4 that really bothered us was that how you guessed  
5 substitutability.

6 Because the real trick was if you had a  
7 client who accepted substitutability of materials and  
8 everything -- we were joking about tuna for lunch --  
9 then you can actually work on comparable buildings,  
10 in other words hotels cost per square foot was such  
11 and such. We built an embassy or a hospital in five  
12 other countries. This was their ratio to Marriott  
13 Hotel.

14 And you can do it if you accept some  
15 substitutability. If you didn't, then none of the  
16 indexes really worked. And then you had to go back.  
17 There's no substitute for really detailed quantity  
18 survey type estimating.

19 And if you have change orders you have to  
20 keep on going back to your original costing model.  
21 You have to develop, how do you say, literally a  
22 costing model and you had to make sure you had the

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1 then even the cost per square meter rules that we use  
2 don't really apply here.

3 GENERAL WILLIAMS: Yes. Thank you, Derish.  
4 P.K.

5 MR. BAGCHI: Yes. We are having to do or  
6 Chuck's office got to do these cost estimates two or  
7 three years ahead of time. There's no way there's  
8 any detailed take-off or anything close to it at that  
9 point.

10 GENERAL WILLIAMS: It's program based.

11 MR. WOLFF: Add 40 percent.

12 MR. MOUNT: But the other side of it is,  
13 we're worried about leaving too much on the table.  
14 If you add 40 percent to the budget estimate, we do  
15 40 percent less building. And they won't let us  
16 build them anyway.

17 MR. TOUSSAINT: I want to ask Harvey what  
18 was the incentive for Skanska to drive the cost down,  
19 to not pass those down because I was understanding  
20 Mortenson was passing the cost down to the subs.  
21 They were not using the software.

22 MR. BERNSTEIN: Mortenson was using the

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1 software but they weren't, let's say, going back as  
 2 Derish referred to back on the up front end to the  
 3 best of my knowledge. I wasn't involved obviously in  
 4 any way in the project. So this is third-hand.

5 But if there is something that didn't  
 6 conform to where they were rather than using a model  
 7 on the whole element, they would be a change order  
 8 developed and the risk was passed down.

9 So the cost ended up being higher than your  
 10 initial proposed budget on the project. And it's  
 11 still not finished yet and it's still climbing on  
 12 different elements.

13 I don't know the elements of the contracts  
 14 in each case but the only thing I know is that on  
 15 Bekin Skanska at first they approached it according  
 16 to Ghry in the same way that Mortenson did.

17 But they started to get much more into the  
 18 technology as a communication mechanism with all of  
 19 the players and began to find that they were able to  
 20 control the product and time elements so they were  
 21 containing the cost.

22 They also weren't having the changes or

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1 in each case they're trying to correlate the data in  
 2 order to show that difference. And I didn't get into  
 3 that with him. We had a short meeting.

4 The workshop we are going to do in October  
 5 is going to dig into those issues and then the one  
 6 next spring. So some of those may come out but, you  
 7 know, with the connection you have with Jim anyway,  
 8 he is very willing to talk on that issue because it's  
 9 a key element for their ability to deliver in the  
 10 future. And so he may give you insights and any  
 11 differences in those contractual languages too.

12 MR. TOUSSAINT: It may eliminate one of the  
 13 risks.

14 GENERAL WILLIAMS: Yes, ma'am.

15 MS. LOFTNESS: Just before you close out  
 16 the section on cost, nobody raised how life cycle  
 17 cost is put back into the equation.

18 It seems as if at a very minimum energy  
 19 life cycle should be put into a net present value cap  
 20 on these cost estimates as well as churn, the cost of  
 21 moving technology as well as the cost of moving  
 22 people.

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1 errors going along because they were truly using the  
 2 tool for that connectivity, if you will. And so they  
 3 didn't have those costs. You also have an element as  
 4 to, I mean, each contractor depending on the way they  
 5 operate. Some are known for change orders and some  
 6 are not.

7 MR. TOUSSAINT: I'm looking at the owner  
 8 how we incentivize that to be -- and maybe it's a  
 9 matter of how we select our contractors -- but how we  
 10 incentivize that because in overall that should  
 11 result in a savings to the way we do business.

12 And this, of course, then feeds back into  
 13 our cost estimating based. But as the owner we would  
 14 -- as I was understanding your discussion, there are  
 15 tools out there that we could be taking advantage of  
 16 to use and leverage the standard embassy design so  
 17 that we see that we get the maximum benefit out of  
 18 standardization that it presents across the whole  
 19 program of projects.

20 MR. BERNSTEIN: And, in fact, you might  
 21 want to talk to Jim Glymph but he was saying that  
 22 part of the dimension, the procurement process, used

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1 And you do have the richness of existing  
 2 data, I think, to be able to build some very  
 3 realistic cost differentials even if you use a very  
 4 short life cycle like three years although 50 years  
 5 would be heck of a lot better to at least start that  
 6 dialogue.

7 I know it seems almost too ephemeral but we  
 8 have been working quite a while on life cycle  
 9 decision-making and those energy and churn are  
 10 no-brainers for investing differentials and first  
 11 costs.

12 GENERAL WILLIAMS: That's excellent. Do we  
 13 have any more discussion on this stuff? We have one  
 14 more that will come out of the book and then I have  
 15 one for you which is not in the book and I'm going to  
 16 tell you what it is so that you can think about it.

17 Because you know this whole business has to  
 18 be transparent and we have to have feedback,  
 19 give-and-take. You have been with us now for all of  
 20 2002. This is our third session. I want you to give  
 21 us some feedback, give me some feedback on how you  
 22 see this government entity going about its job and

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1 don't -- just tell us the truth.

2 Now, this is a very bold move knowing that  
3 I have the Inspector General in here, and I have  
4 visitors, but I want everyone to know that I take  
5 this job very, very openly. And if you are afraid to  
6 do it, I shouldn't have taken it.

7 So there is nothing to hide whatever. And  
8 so I'm going to ask you openly and you can say in  
9 your own words what you think about the direction of  
10 this effort versus -- all of you know a lot about  
11 your country and your State Department, but we want  
12 to know.

13 This is a matter of feedback. And a good  
14 manager always looks for feedback. It's a self-  
15 policing mechanism. So think about that.

16 The last one, give me your views on the  
17 chem/bio issue. There's a lot of talk now about the  
18 chem/bio matter as it relates to the terrorist  
19 activity.

20 And I think we would be not well served if  
21 we didn't have at least a little dialogue about your  
22 views about chem/bio and particularly as it relates

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1 The easiest thing you can do is everybody  
2 knows about HEPA filters, high efficiency particulate  
3 air filters. They are great. They're 99.99 percent.  
4 Education for the people inside the building on that  
5 last .01 percent is where you're going to win your  
6 battle so you don't have people panicking and worried  
7 about what's going on inside.

8 The way you can control the situation is to  
9 have the knowledge inside, have the capability of  
10 either shutting down your building and then  
11 pressurizing the building if it is inside.

12 And another I would also offer to you is  
13 that if you have a chem/biological or CBR attack  
14 inside the building have the means of being able to  
15 isolate that part of the facility by using the  
16 positive pressure at the rest of the site plus the  
17 means of redirecting ventilation quickly. Those are  
18 the only thoughts I can help you with.

19 Now that's all done in design. Going to  
20 backfit a lot of the facilities nowadays is going to  
21 run you a lot of cost. That's just basically it's  
22 going to doing it up doing it. But some of the ways

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1 to our business.

2 There is a question or a suggestion here  
3 around Number 6 that would sort of give you some of  
4 our thoughts about it. But I would be interested in  
5 your views. Yes, from the sidelines.

6 MR. BLUNT: General, sir, from my  
7 background for everybody else, I was a submariner for  
8 ten years in the Navy.

9 One of the best things I can offer for  
10 chem/bio is on a facility in regard to what you do  
11 you have to seal it up if the threat of CBR,  
12 chem/biological or radiological attack happens.

13 Knowing that you can have a self-contained  
14 unit standby or be able to redirect your ventilation  
15 at a moment's notice is pretty much a requirement to  
16 be the only actual defeat for the personnel inside  
17 the building.

18 The things you can offer yourself when you  
19 design buildings is safe ways or safe rooms to get in  
20 and out. Basically, decon stations, pretty quick,  
21 pretty easy. And you can set aside those areas, and  
22 pretty much in the areas you have now, to do that.

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1 you can minimize that is ventilation between room to  
2 room, being able to use the HEPA filters. We used a  
3 lot of that on submarines. It works very well.

4 GENERAL WILLIAMS: These are the type  
5 things that we need because you're absolutely right.  
6 To go back and try to retool an old mechanical  
7 system, ductwork and all that is just really costly.  
8 So we would -- I know the staff would enjoy whatever  
9 else you might have on that concept. Yes, Tod.

10 MR. RITTENHOUSE: Well, last time we  
11 touched on this a little, and kind of reviewing notes  
12 that we got the other day, and I think that one of  
13 the things we talked about last time is that  
14 compartmentalization -- an embassy is really going to  
15 get threats from one or two locations and that  
16 primarily in the entranceway and where you have your  
17 control points.

18 And you talked a little bit about that  
19 compartmentalization and positive pressure and seals  
20 between that visitors area, the vetting station and  
21 the entry so that if there is an event it does blow  
22 out of the building as opposed to going into the

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1 building.

2 There has been a lot of talk in the private  
3 sector over the last couple of months on this and to  
4 the best of my knowledge and the project we're  
5 working on in the private sector is just that, your  
6 threat to your lobby and your loading dock, your  
7 mailroom, which the State Department have in a  
8 different sense. It goes to a different building  
9 which in most cases in the compound.

10 But making sure those are compartmentalized  
11 and positive pressure so that it does go out into the  
12 atmosphere and try and find some seal between that  
13 vetting station and the body of the building.

14 I can see in a post office or a news  
15 building or something like that where you're going to  
16 have an event in the interior of the building, in an  
17 office space, something like that.

18 But in an embassy unless you start scanning  
19 incoming mail outside of the building you're not  
20 going to have that many attacks from within because  
21 as we all know it's so damn hard to get into a  
22 building. Or even this building apparently, Joel.

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1 you're looking at distributed filters, the chances  
2 that you can actually get a filter that would contain  
3 the one chem or bio that has been generated is much  
4 slimmer than you can take a contaminant and make sure  
5 it's only blown through a piece of the building  
6 rather than through the entire building. So  
7 distributed systems definitely is one of the keys.

8 Another issue that we feel very strongly  
9 about for chem/bio is shifting away from using air,  
10 the same airstream for breathing air and for  
11 conditioning air.

12 The volume of air that we are blowing  
13 around buildings to cool buildings is 13 times the  
14 volume that we blow around for us to breathe, which  
15 means it's a tremendous volume, very hard to manage  
16 control, filter. Whereas, if you had a separate  
17 system for cooling, it can be a closed system and  
18 could be water-based from breathing, you would get a  
19 much better containment strategy. So those are some  
20 things to consider.

21 GENERAL WILLIAMS: Thank you very much.  
22 Well. I think today has been, at least from us, I

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1 So that's what has been happening. Filters  
2 are big. Certain ones are accurate in a confined  
3 space such as a submarine but when you get in an  
4 office space there has been a lot of debate by those  
5 who know, done a lot of work with Batelle, and they -  
6 - yeah, there's stuff out there but how practical is  
7 it to put it into an office building and redirect or  
8 reverse the flow of the air, et cetera. It's quite  
9 difficult.

10 The other thing that I've heard is if you  
11 have an event to contain that event and sorry for the  
12 people who are in that space but just contain it  
13 there rather than allowing it to spread into adjacent  
14 spaces. But air is moving pretty quick. To be able  
15 to shut it down or reverse it is impossible? Very,  
16 very difficult?

17 GENERAL WILLIAMS: Thank you. Yes, ma'am.

18 MS. LOFTNESS: I can add to that. I mean,  
19 compartmentalization translates into distributed  
20 systems. And there is certainly a significant value  
21 in distributed systems even though you can't use one  
22 giant filter bank for one giant air handler and

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1 think I speak for the group it has been another  
2 wonderful experience. And I can't tell you how  
3 helpful you are to the process. You're helping your  
4 country. You're helping our government. And clearly  
5 you're helping us.

6 I try to use the value of this vetting  
7 process everywhere I can. It helps undergird our  
8 program so we appreciate that. We also appreciate  
9 the visitors who are coming in. We try to be open  
10 here. And we always publicize this and you're  
11 welcome to come.

12 We appreciate our other friends, the IG.  
13 We have representation from the union and other  
14 places, our dear friend from Carnegie Mellon and all  
15 of the staff. Even we appreciate the fine lady who  
16 is providing the blow by blow for us and doing the  
17 minutes.

18 So this is to me the way government should  
19 be: open and rolling up your sleeves and dealing with  
20 issues.

21 Gina will be in contact on the next  
22 meeting. There may be a little wrinkle to it like

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1 maybe the manner again, up front or something. We'll  
2 talk about that and detour at the end of the year,  
3 but beyond that it will be the standard routine.

4 I hope you understand why it's better for  
5 us to try to meet here. It just minimizes a lot of  
6 issues we would normally have finding an appropriate  
7 room and being able to talk in an environment which  
8 helps us out.

9 So once again, thanks a lot for your  
10 participation. Now, you're not going to leave until  
11 you give me the feedback. So let me see, I'll just  
12 close my eyes and open them and go -- you guys know  
13 me. Okay. David, you're on.

14 MR. READY: Well, I think that I've been  
15 impressed by the kind of discussion and the things  
16 that you have been willing to try from a government  
17 point of view.

18 I guess the thing that I would suggest and  
19 I get this is more PR and sales pitch, but I think it  
20 would be very helpful for me to, and others I think,  
21 to see what the transition has been from when you  
22 first came in and first broached the idea of the

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1 three, four, five things that seem to strike a chord  
2 and have some interest for you to do some more with.  
3 It might be useful if not at the next meeting at some  
4 point in time to get a little bit of a picture of  
5 what has happened with some of those ideas and where  
6 they are so we have a continuum.

7 The notes that we got from the last meeting  
8 were extremely helpful to go through last night which  
9 I did and kind of refreshed my memory and made, I  
10 think, for me made this meeting -- made my  
11 participation a little bit hopefully more useful.  
12 But absolutely I value being here if you value having  
13 me.

14 GENERAL WILLIAMS: We do. And Joel, to  
15 your question, we're going -- that's why I was  
16 thinking of a forum or a dinner like we got started.  
17 I intend to give a little stewardship report on how  
18 the year has been and we'll include those kind of  
19 things that you just talked about. Derish.

20 MR. WOLFF: Well, I find your question a  
21 little different, is how is OBO? Is it --

22 GENERAL WILLIAMS: Yes.

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1 changes that you have tried to make, and then where  
2 you are now and what that seems to have done in terms  
3 of track record and ultimate delivery of your  
4 products.

5 GENERAL WILLIAMS: Well, I will give you  
6 just two. And I know I was going to wait until I had  
7 this in the annual report but I will give you two  
8 already.

9 We were cutting the ribbon maybe one or so  
10 embassies a year and in 2003 with a little bit of  
11 luck we're going to cut the ribbon on seven.

12 We were managing about three-quarters of a  
13 billion dollars of work in March of 2001. At the end  
14 of this month with a little luck it will be \$2.5  
15 billion. More to come in the annual report. Joel.

16 MR. ZINGESER: Basically, I think the only  
17 one who can judge whether or not this is of value is  
18 you, obviously, and your staff. In terms of my  
19 participation I have learned a lot, not only about  
20 your problems, your needs, your concerns but also  
21 from my colleagues here.

22 I sense that from each meeting there are

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1 MR. WOLFF: And it reminds me of the old  
2 Henny Youngman joke about how is your wife. And he  
3 says, compared to whom? I think it's really true. I  
4 think when you look at OBO I agree -- I always agree  
5 unfortunately, with whatever Joel says from this  
6 august group -- but for OBO, I think the important  
7 thing is to decide in honesty who your peer  
8 organizations are that you compete with.

9 To say how do you compare with the New  
10 Jersey Turnpike, no, in all honesty they're easier to  
11 work with. But how do you compare with a hospital?  
12 how do you compare with a major research labs.

13 See, you have to first decide who you are  
14 before you let people start talking about how good  
15 you are or how bad you are as a client or as an  
16 organization to work with because you have a very  
17 difficult mission.

18 The second thing that makes it even more  
19 confusing is that you are in an international field.  
20 You're trying to drag American contractors into  
21 bidding, and then the question is the total U.S.  
22 exports for construction are about \$4 billion.

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1 So you don't have a large pool of people to  
2 pull in. So you're forgetting that you have got a  
3 difficult mission just comparing international with  
4 domestic -- I have to talk before ABC next week and  
5 everyone will tell you the international isn't the  
6 place to go.

7 So I think you have to honestly decide,  
8 look at what you're doing and the field you're in  
9 internationally and then ask that question and  
10 compared to whom.

11 GENERAL WILLIAMS: Thank you. Good  
12 feedback.

13 MR. RITTENHOUSE: Well, I look at it from  
14 actually both and my issue goes down. It's getting  
15 harder and harder to speak because they've all said  
16 it. But basically, I learned a lot from this and  
17 learned a little bit about what's in play, you're  
18 trying to find how the private industry works.

19 And we're trying to share that with you but  
20 you are handicapped by being government, right? Of  
21 course, and so it has been very educational and I  
22 hope that you are getting some stuff out of it.

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1 consistency and getting a handle on what is out there  
2 and how to maintain it and how to protect it and how  
3 to restore it and how to preserve it I think is a  
4 real asset to us as a country and our government as  
5 an entity in that you work very proactively at doing  
6 that.

7 And I was very pleased to see that you have  
8 done that in looking at the industry for feedback and  
9 this opportunity to just ask those kind of family  
10 questions and let it hang out and get some answers.

11 And I think that it has been a real  
12 positive experience, I think, for everyone and I'm  
13 really happy to have seen that process. And I think  
14 that as was said, and I agree with most everything  
15 that was said, but the gems -- you know, it's like I  
16 can sit here at this table and see you perk up and  
17 say, yeah, I'm looking for that. I'm looking for  
18 that. And I think that for me to be able to  
19 contribute to that I've been very proud to do that.

20 GENERAL WILLIAMS: Thank you. Harvey.

21 MR. BERNSTEIN: It's easy to echo what  
22 everyone else said. One, it's been a real privilege

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1 But I am impressed. I've been working with  
2 you guys for about 15 or 18 years. And your  
3 statistics just there are, you know, we're  
4 experiencing right now and it's been a very difficult  
5 August because we're just waiting for that hopefully  
6 by end of month announcement that will have all these  
7 embassies up and running. And I think it's a  
8 tremendous stake that you have placed to try and meet  
9 this goal. And I think it looks a lot better.

10 GENERAL WILLIAMS: Thank you. Ida.

11 MS. BROOKER: Well, I'm traditionally from  
12 the commercial side of the house. I don't have a lot  
13 of government interface and so my experience on this  
14 panel has been phenomenal for me and the opportunity  
15 to participate in this event is really a thrill for  
16 me.

17 I am impressed with the proactive approach  
18 that appears to have been lacking in the past in  
19 looking after the resources that we as a country have  
20 around the world.

21 And I think that the concepts that you have  
22 implemented in looking at standardization and

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1 to participate in this. I have learned a lot and  
2 much of what everyone else said.

3 The thing that for me really stands out,  
4 the two points I want to make, one is my job in  
5 running surf is to advance the industry, to bring  
6 about change. And what I love about this whole  
7 element is that you're trying to change the way  
8 government does work.

9 You're trying to change the way we  
10 construct facilities. And it goes way beyond the  
11 government. To me it has a lot of commercial  
12 applications because your small, medium, large,  
13 trying to streamline the process, you're going to  
14 become for me the testbed for the industry.

15 And I believe that because of your  
16 willingness to look at different things with a lot of  
17 the handicaps you have being government that it would  
18 state on the embassy program, because it is  
19 structured in looking long-term, that I'm going to do  
20 everything in my power to work with you guys to try  
21 and see whether opportunities to help State do these  
22 things.

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1 At the same time I want to have the ability  
2 to transfer some of those things you're doing back to  
3 industry because I think the industry can learn a lot  
4 from that because of its fragmented nature. You're  
5 in control of a lot more things than our industry  
6 with the fragmented nature.

7 So the beauty of this is a real two-way  
8 street. State and the government may come out way  
9 ahead through the process you're trying to do. And  
10 what I've seen already is very, very positive and  
11 it's great to be a part of it.

12 Secondly, I really see leveraging off of  
13 what you're doing to help change the industry. So  
14 that's one key point. The other one is a comment  
15 that's probably a pipe dream. And I mentioned it  
16 before.

17 But the one thing I find lacking for me,  
18 and it may be because I've been behind a desk now too  
19 much and not in the field, and as you said at lunch  
20 today, the ability to maybe join you on a site and I  
21 have to be in Bangkok anyway in October.

22 I'm going to see if I can overlap that but

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1 that's one of those -- I want to try and make sure I  
2 at least get out to one site or something.

3 GENERAL WILLIAMS: Good. We'll talk about  
4 that a little bit next week.

5 MR. BEARD: Like almost everyone in the  
6 room here we have this love of the design and  
7 construction industry but many of us through our  
8 careers, I think, have been frustrated by certain  
9 aspects of the cost overruns, or the cult of the  
10 single discipline that sometimes pervades, and a lot  
11 of other frustrating things.

12 So working with a government agency, in  
13 particular, that's trying to change that paradigm  
14 somewhat is extremely encouraging. I think over the  
15 last 10 or 15 years we have seen government agencies  
16 take the lead in project delivery changes and take  
17 the lead in some procurement changes that we really  
18 haven't seen as much in the private industry. So I  
19 applaud you and your staff for doing that.

20 Going forward, I think the nonprofit groups  
21 that are represented here, and in particular, DBIA,  
22 what we are looking for, and I pick up little gems as

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1 I think like anything and even when I was out in L.A.  
2 with Ghry, I would take a look at all these different  
3 designs but it wasn't until I walked through L.A.  
4 Music Center that I began to appreciate some of the  
5 models and 3-D things I've seen when I was out there  
6 physically in the field.

7 And for all of us to contribute on a lot of  
8 things you're trying to do one way or the other,  
9 whether it's piecemeal or how you do it, I think as  
10 you're laying out the program it's of vital  
11 importance that sooner or later each of us make it to  
12 one of the embassy construction sites to see what  
13 you're doing and to get a sense for the secured  
14 rooms.

15 And I mean, we all have a general feeling  
16 but unless you're like in Tod's situation, perhaps,  
17 where you've been working with State on those areas,  
18 I don't necessarily have a good grasp. I mean,  
19 that's my shortcoming on some of the things you're  
20 trying to do.

21 And physically once I see some of that it  
22 may make me able to contribute more later on. So

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1 I sit around here and hear the comments is how we can  
2 help you coming up with new business models, new  
3 technological models, and maybe some cultural tools  
4 and education too that will help ease us forward so  
5 we can return what we're learning to you.

6 GENERAL WILLIAMS: Thank you. Harold. MR.  
7 ADAMS: I, like everyone else, have enjoyed the  
8 process and being involved with you and my concern is  
9 are we really helping you.

10 Sometimes I feel that we're not getting  
11 below the surface, and I think we may be constrained  
12 because of the security environment and just being  
13 able to open up and talk about everything in a very  
14 public meeting.

15 I would ask if it is ever possible to have  
16 an executive session with a smaller group of people  
17 to deal with some of the real issues that are  
18 constraining you and that you can't talk about in the  
19 open so we can really help you think about some of  
20 the restraints and the problems that you have? And I  
21 know that in our government environment that is  
22 difficult.

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<p style="text-align: right;">Page 198</p> <p>1 GENERAL WILLIAMS: I understand where you  2 are coming from. However, we are chartered around  3 the certain arrangement and I will qualify. What we  4 can talk about is a function of the security, and I  5 can't violate that.  6 So the first question whether or not you  7 are helping me, emphatically yes. And I think most  8 of you know me well enough now that I would tell you  9 if you were not.  10 I'll tell you what you do more than  11 anything else. You know, I have the awesome task  12 when all is aid and done I really have to take the  13 load of all of this through the vetting process.  14 I have a lot of helpers when we're teeing  15 up but I have to carry it. And I knew that when I  16 came into the job so there's no excuse or anything.  17 But what helps me is to not be alone in the process.  18 I think what this body, what you give me is  19 more legs, and more foundation from which I can  20 launch from. Just simply making the statement that  21 we have an industry advisory panel composed of nine  22 of the brightest people I know, understand the</p>	<p style="text-align: right;">Page 200</p> <p>1 you five minutes over but it was a good five minutes.  2 Drive carefully.  3 (Whereupon, at 3:46 p.m. the meeting was  4 adjourned.)  5  6  7  8  9  10  11  12  13  14  15  16  17  18  19  20  21  22</p>
<p style="text-align: right;">Page 199</p> <p>1 business, dedicated to their country, trying to help,  2 who agree with me about an approach is very helpful.  3 So, yes, you do help. And I use the fact  4 that this panel is in place quite frequently, not  5 that I'm shaky about my position but I'm a human  6 being and everyone needs company around these issues  7 because these are high stakes. We're talking a  8 billion dollars of stuff a year.  9 And people don't just hand this out. And  10 the people who pass this they have to believe you.  11 And call it whatever you want but it's a lot about  12 trust and confidence and credibility that you bring  13 to the table. And you have to bring it in such a way  14 that people will believe you.  15 So the fact that we do air things very  16 openly here and the only thing we're not talking  17 about are the things that we can't deal with. But  18 we've got everything else, every other issue that is  19 out there from a management standpoint we've got that  20 here. So you are being very helpful and I appreciate  21 that.  22 So with that, boy, are we close. I kept</p>	<p style="text-align: right;">Page 201</p> <p>1 CERTIFICATE OF REPORTER  2  3 I, Deborah Turner, CVR, do hereby certify  4 that the foregoing proceedings were electronically  5 recorded by me via audiotape and reduced to  6 typewriting under my supervision; that I am neither  7 counsel for, related to, nor employed by any of the  8 parties to the action in which these proceedings were  9 transcribed; that I am not a relative or employee of  10 any attorney or counsel employed by the parties  11 hereto, nor financially or otherwise interested in  12 the outcome in the action.  13  14  15  16  17 DEBORAH TURNER, CVR  18  19  20  21  22 My commission expires: 02/01/2006</p>